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EDITORIAL

As We See It

It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard of their own interest. We address ourselves not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantage.—Adam Smith.

If one assumed that Economic Stabilizer Eric Johnston and Price Stabilizer Michael V. DiSalle are familiar with the familiar sentences of "the father of modern economics" quoted above, their sermons late last week to a number of industrialists could be construed as a strained, not to say perverted, interpretation of Smith's ancient wisdom. But whatever their knowledge of philosophies more familiar to economists than to politicians, such appeals as they were making on that occasion are, we are afraid, not likely to be particularly effective in the circumstances under which they were made.

The industrialists to whom they were speaking might well ask, when they are told that "in a democracy" there is no way to prevent wages from rising once the cost of living moves up, if there is any way to prevent prices from rising when wages generally have moved up and are still moving up. They could be excused, too, if they inquired whether the unions have been lectured in the same manner as the industrialists. One must wonder what, precisely, is meant by the term "in a democracy." There may be a good deal of truth in what these gentlemen are reported to have said, if what is meant by this term is a country in which wage earners have so or-

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Economic Outlook and The Washington Scene

By EMERSON P. SCHMIDT*

Director, Economic Research Department, Chamber of Commerce of the United States

Reviewing current business situation, Dr. Schmidt, though citing some deflationary forces such as reduced international and national tensions and heavy inventories, finds inflation and expansion factors still dominant. Cites progressive enlargement of defense expenditures, threat of deficit spending, heavy construction activity, and forthcoming higher wages as inflationary forces. Though stating pronouncements from Washington as to what's ahead are confusing and contradictory, holds basis for optimism exists.

The economic and business conditions facing us in the period ahead will be unique in several respects. Contraction and expansion forces will operate in parallel. Deflationary and inflationary pressures both will be with us. Deflationary and inflationary forces are present, of course, in every economy at all times. Our economy seems to work best when people are a little uncertain as to which is in the ascendancy.


Dr. E. P. Schmidt

If everyone fears imminent deflation, the contraction forces take over and we tend to have a depression. If everyone fears that inflation is imminent then the expansionist forces take over and we have the kind of high-pressure situation we have had since Korea.

Some Deflationary Forces Now

In sizing up the economic outlook, there are some deflationary forces that must be weighed in the picture.

(1) While the "war or peace" sentiment shifts from

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*An address by Dr. Schmidt before the United States Independent Telephone Association, White Sulphur Springs, W. Va., May 15, 1951.

Treasury Should Heed Verdict of Free Market

By SHERWIN C. BADGER*

Vice-President, New England Mutual Life Insurance Co.

Insurance executive foresees new borrowing by Federal Government and points out, in order to avoid further expansion of money supply, as much financing as possible should be done without recourse to Federal Reserve. Urges new borrowing be done at rates attractive to investors, and warns against excessive tax levies. Holds it is logical to offer a tax advantage to those who forego spending and thus save. Hails end of Treasury's Keynesian doctrines.

I have been asked to talk about government fiscal policies and the interest rate. Obviously, this is a subject of great importance to all of us who are in the business of investing the funds of institutions such as savings banks and life insurance companies. But from a broader standpoint, fiscal policies will exert a vital influence in shaping the financial and economic future of the United States as well as that of a large part of the civilized world.


Sherwin C. Badger

We are now in the early stages of a dramatic change in fiscal policy, the effects of which will surely be very far reaching. This past March the Treasury announced an offering of 2¾% long-term bonds in exchange for two outstanding long-term 2½% issues. A few days later, the Federal Reserve removed its pegged bids for various Treasury issues. Through these two events our fiscal and monetary authorities were telling us they had abandoned a policy that had been

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*An address by Mr. Badger at the 31st Annual Convention of the National Association of Mutual Savings Banks, Atlantic City, N. J., May 9, 1951.

PUBLIC UTILITY ISSUE SOON—The "Chronicle" of Thursday, June 14, will feature the proceedings of the Annual Convention of the Edison Electric Institute, and also contain pictures taken at the Annual Outing of the Bond Club of New York.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Ronson Art Metal Works, Inc.—Stanley Heller, Partner, Stanley Heller & Co., New York City. (Page 2)

Boston and Albany (guaranteed by New York Central)—Hazel Zimmerman, Los Angeles, Calif. (Page 2)

STANLEY HELLER
Partner, Stanley Heller & Co., N. Y. C.
Members, New York Stock Exchange and New York Curb Exchange

Ronson Art Metal Works, Inc.

One of my favorite stocks is Ronson Art Metal Works. The company manufactures the world's greatest cigarette lighter with the famous "one finger, one motion safety action." At the current price of 19 the stock is one of the best bargains I have ever seen. The stock is on a regular dividend basis of $1.40 per share, and during the past two years made extra payments of $2.10. If only the regular disbursements are continued, the 7.4% yield is satisfactory. However, I believe that extra payments will continue. As an investor I consider the extra income as available at no cost since the well-protected regular income provides such a generous yield at the current price of 19.


Stanley Heller

In the final analysis, selection of investment media is a calculation of relative risks. The risk on Ronson's extra dividend is exactly zero as the investor can buy them for nothing. The risk on Ronson's regular dividend is minor. This dividend was covered three times over during the past four years and thus represents an abnormally low payout of net income.

My interest was first attracted to Ronson about a year ago when the stock was selling at 18. The yield was so high that it occurred to me that the safety of the dividend should be very carefully appraised. My first move was to test the ability of the company to maintain the regular $1.40 payment. The test was extremely severe as it involved a comparison with one of the highest grade securities in the market. I found that Ronson could suffer an 18% decline in sales, and without any cutting of costs, still earn enough to pay $1.40 regular dividend. I also found that if the Santa Fe Railroad lost 18% of total revenues, and operating costs did not decline, the interest on the general 4s of 1995 would not be covered. That was quite a shock. I could hardly believe it, but the facts are there. Under this severe investment test, Ronson earns $1.70 per share after taxes, or enough to cover the regular $1.40 dividend, while Santa Fe general 4s rated AAA earn $2.1 million before taxes, or about one-third the interest requirement for the top mortgage alone. Santa Fe generals were then yielding less than 3% while Ronson's regular dividend alone provided a yield of 7.8%. The additional 5.7% was a gift as far as I was concerned.

The results of this severe analytical test were confirmed within a short period of time. Toward the end of last year Ronson ran into some bad luck. Sales in the last quarter, which is usually the best, declined more than 12% due to a strike. Net income was naturally lower and the directors cut the extra dividend. This extra payment was only 95 cents per share last year so that the free income yield fell from 5.7% to 5.3%. As I consider it bad taste to look a gift horse in the mouth, no complaints were forwarded to the management.

The non-recurring nature of Ronson's earnings decline last year was pointed up by the first quarter 1951 results. Shipments rose 32% over the prior year, from $6.3 to $8.3 million. Net income improved from 82 cents to $1 per share. Shipments for the first three weeks of April were $2.1 million or almost double the $1.1 million in the same period last year.

Although the negative factors discussed above are enough to establish Ronson common stock as an undervalued equity, I wish to present the facts which indicate the long-term possibilities for capital gains beyond those inherent in a mere recognition of the unwarranted discount on a yield basis alone.

Ronson has enjoyed more growth in sales than the leading chemical and natural gas companies. Using 1936-39 as base years, Ronson's sales were up 1600% at the end of last year. This compares with a 290% rise in Personal Consumption Expenditures for the nation on a similarly compiled Growth Index. Some aircraft manufacturers, air lines and television manufacturers have grown faster than Ronson but these companies issued new shares to finance their growth. Ronson financed its growth out of retained earnings.

Ronson does a worldwide business. The product is known in every country as the best of its kind, and the trademark has become a byword. Sales offices or branches are maintained in Canada, Cuba and Mexico, as well as in England, where a factory is established. The English subsidiary's sales are growing even more rapidly than those in America. These sales which amounted to almost $6 million last year are not consolidated in the parent company accounts. Profit margins after taxes in England are higher than in the United States. Only dividends received from England are included in the parent income account. Were total British earnings consolidated, Ronson's earnings last year would have equalled $4.03 per share as compared to the $3.54 per share reported.

Ronson has already introduced a superior compressed gas lighter. Sales have been increased but not to the point where they interfere with the growth in business of the liquid fuel lighters. The company is very carefully studying the market and will move into high gear with the gas lighter when conditions warrant it. The potentialities of the gas lighter are best comprehended when it is understood that 45 million lighters using liquid fuel have already been sold in this country.

Ronson Art Metal Works, Inc., under the able leadership of Alexander Harris, President, has already proven itself to be among the greatest manufacturing and merchandising operations in the country. Its sales growth is in the front ranks of American industry and profit margins are among the highest for maufacturers. This year promises to establish a new record for sales, earnings and dividends.

The stock is listed on the New York Stock Exchange.

HAZEL ZIMMERMAN,
Los Angeles, Calif.

Boston & Albany (guaranteed by New York Central)

It has been said with truth that a leopard never changes its spots, and it can be said with equal truth that an investment dealer rarely changes his or her recommendations providing they were soundly arrived at in the first place.


Hazel Zimmerman

I was interested to have the Editor of "Commercial and Financial Chronicle" recall to my attention that the article I wrote for this Forum on "The Security I Like Best" for 1950 contained a pretty thorough analysis of one of New York Central's guaranteed Rail stocks which I stated was the security I liked best!

Now possibly my only way to qualify writing under the above heading is to say that this is **still** the security I like best! The reasons now are even more pertinent, and New York Central's guaranteed Rail stocks, which have been consistently behind the market in performance, have begun to move up sharply. Marketwise, Boston & Albany, guaranteed by New York Central, 18 months ago was selling on the asked side at 109 and has now climbed to 130. I still feel, however, as I stated in my article in this paper of Feb. 23, 1950, that this stock is selling behind the market when one considers its advantages . . . its long and uninterrupted dividend record of 51 years . . . and its more than generous income of $8.75 a share.

With the advent of the "excess profits taxes," the Rails, in the eyes of experienced investors, took on new stature because of their tax shelter propensities against the inroads which Federal and "excess profits taxes" will soon be making on numerous Industrials and a number of corporations in other fields—drugs, containers, etc. Because of their heavy invested capital base, the Rails will enjoy large exemptions from the excess profits taxes.

General Motors' net for the first quarter of 1951, released recently, is $141,520,651, as compared with a net of $212,387,765 for the first quarter of '50. This offers a quick picture of the inroads that the new taxes are making on one of our largest Industrials.

New laws in New York State which allow the purchase of quality stocks in place of bonds have stimulated the demand for guaranteed rail stocks; a demand that has been of long-continued duration by Fire and Life Insurance companies' portfolios. For example, Metropolitan Life Insur-

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There'll Be Some Changes Made

By IRA U. COBLEIGH

Author of
"How to Make a Killing in Wall Street and Keep It"

A glimpse through the comparison window, sketching the relative merits of three pairs of equi-priced stocks.

Back in the roaring twenties (and even intermittently until this day) it was not uncommon for a broker to tell his client, "Put this stock away and forget about it." Well the first part of this advice made sense. Of course you wouldn't leave a couple of hundred shares of Big Steel around, cluttering up the hall table. You'd put 'em in a vault. But "forget about it"— that's different. First, it was bad advice, and second, you couldn't follow it if you tried. If you had "put away" Anaconda at 170 and watched it slip to 4, could you forget about it? No indeed. As they say at the periphery of Ebbetts Field, "leave us face it"— the only thing people "put away and forget about" is a casket!

Ira U. Cobleigh

So, since this well eroded adage has a glaring error built into it, let's put it away and forget about it. Let's recognize that in our lives from earliest infancy, there are changes to be made—and securities are no exception!

On May 14 the listed shares of Consolidated Edison and Socony Vacuum both sold at 31¼; and what I propose to do is to suggest that, for reasons duly outlined below, ED has a dimmer market future than SOV. This idea is not theoretical at all. A switch from Con Edison was actually made, to my knowledge, in recent weeks and the logic behind it is by no means unworthy.

ED is by any standard a premier American utility serving the gas and electric requirements of our largest city, and growing in plant and earnings correspondingly. It recently hiked its dividend to a $2.00 annual rate. So you see I'm really no hard-bitten bear on Con Edison. My viewpoint is better described in the words of Brutus, "Not that I loved Caesar less, but that I loved Rome more." For the recent growth in SOV has taken quite an impressive turn.

On each of the 31,802,000 shares of SOV outstanding, net earnings increased from $3.09 in 1949 to $4.03 in 1950. For the first quarter of this year, net was $1.16 against 69¢ a year ago. Now this is a revealing trend and is arrived at, in part, by an aggressive and successful search for crude oil in recent years. You see SOV has to have a whale of a lot of crude. It refines some 500,000 barrels a day, and has, for years, bought a good portion of it. Well if it produces the oil itself, the cost is around 50 cents a barrel; but if the crude is bought, it costs well above $2.00. So when you observe that in the first quarter of this year, domestic crude production of SOV increased from 161,000 to 204,000 barrels a day you see a real factor for expansion of net. SOV also has some 1,500,000 acres of leases in North Dakota acquired on an amazingly low rental. This is turning out to be important oil country, and a lush gusher or two here could throw another log on the earning's fire.

It's silly to suggest that in a few paragraphs, the comparative share merits of two such fabulous corporate Titans can be unmistakably established, and I must supply you with the following nuggets to mull over. ED has paid dividends since 1885; SOV since 1911; ED has sold as high as 49 since 1936; SOV is at its top right now.

But here's the real pitch. ED is regulated heavily, can pay $2 a year; at 31¼ that's a good yield. SOV could pay $1.60 this year and maybe more. If both continue their present earning and market trends, you could get yourself a little piece of graph paper and by projecting a couple of lines show SOV selling 10 points above ED in a year's time (and maybe paying an equal dividend). And if all that happened, by chance, the switch today at even prices would look like something better than a fielder's choice.

My next exit and entry nominees are out of St. Louis, San Francisco at 27 into Gulf Mobile & Ohio at 26½. Dividends are even, with both paying $1.50 in 1950. Frisco is bigger with $765 million of senior securities ahead of 1,241,000 shares of common. Gulf has $363 million in senior preceding 917,000 of common. So there's plenty of leverage in both.

While the surface statistics of these roads appear to denote similar stock values, deeper delving seems to give the nod to GFO on the grounds of territory served, operating efficiency, and growth factor.

The main run of GFO from New Orleans and Mobile on the Gulf to St. Louis and Chicago serves a rapidly growing territory and provides a wonderfully balanced traffic — about one-half from industrial sources and the rest from such diverse commodities as lumber, coal and bananas.

About efficiency, the road is 100% dieselized and has one of the lowest operating ratios of all the Southern roads. Earnings, which some other managements might have dished out in dividends, have here been plowed back into property, or applied to debt reduction.

A sale of owned real estate this year should realize upwards of $6½ million to be used for further debt retirement. And all this does a lot of good to the common.

Whereas FN earned about $5.75 a share in 1950, GFO kicked in $6.92; and FN outstanding common could be vastly increased if

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Regular Features

* Column not available this week.
** Instead of his regular column, Mr. May presents text of his statement at convention held in Washington under auspices of the Economists' National Committee on Monetary Policy.

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Recommendations for a Sound Monetary System

By WALTER E. SPAHR*
Professor of Economics, New York University
Executive Vice-President,
Economists' National Committee on Monetary Policy

Dr. Spahr calls for thorough measures to return our commercial and Federal Reserve banks to their proper functions—in lieu of creating note and deposit currency against government debt—and for the re-establishment and maintenance of independence of Federal Reserve System from Treasury domination. Warns destruction of nation's central and commercial banking system removes last important obstacle to fiscal and monetary dictatorship and consequently to governmentally managed economy and people.

I

Some Fundamental Questions That Should Be Answered

If the people of the United States are to have a good monetary system, they must recognize the importance of the following questions and provide the correct answers to them:

Dr. Walter E. Spahr

(1) Does our monetary system, involving irredeemability of our currency in respect to our standard gold dollar, violate our general acceptance of the principle in our contract law that contracts shall be fulfilled in so far as possible?

Have not we, by the adoption of a system of irredeemability, established for the United States Treasury and Federal Reserve banks a lower standard of obligation for fulfillment of contract than that applicable to non-government individuals and enterprises?

Does not our irredeemable currency constitute a promise of the issuing authorities to pay upon demand? Is it payment or evasion of fulfillment to substitute one irredeemable promise for another?

Since the issuers substitute one irredeemable promise to pay for another, does this mean, in practice, that our government is authorizing the issuers to make dollars out of a material—paper—having relatively little value in the market?

Is this money a debt due the people? If so, is this debt never to be paid by the issuers?

Are not the irredeemable notes of the Treasury and Federal Reserve banks carried as liabilities of those institutions? On what basis can we justify the creation of liabilities that are never to be paid, particularly when we have adequate gold reserve with which to redeem them upon demand, provided conventional procedures are followed? (As of Feb. 28, 1951, the ratio of our gold stock to all money outside the Treasury and Federal Reserve banks and to all bank deposits including those of the Federal Reserve banks, but excluding interbank deposits, was 10.6%. This compares with an average ratio of 8.6% for the years 1915-1932, during which time the ratios ranged from 6.7 to 10.9%.)

Are we in possession of facts that enable us to challenge the accuracy of, and to justify our issuance of irredeemable currency in the light of, the statement made by Mr. Justice Bradley, in the "Legal Tender Cases" (12 Wallace, 1870, pp. 560-562), in respect to the United States Note then an irredeemable money? "It is," he said, "not an attempt to coin money out of a valueless material, like the coinage of leather, or ivory, or kowrie [sic] shells. It is a promise by the government to pay dollars; it is not an attempt to make dollars. The standard of value is not changed. The government simply demands that its credit shall be accepted and received by public and private creditors during the pending emergency."

* * *

"No one supposes that these government certificates are never to be paid—that the day of specie payments is never to return. . . . Their ultimate destiny is *to be paid.*"

Are we properly able to take the position today that, although our standard monetary unit is a gold dollar and our gold reserves are adequate for redemption purposes, our paper money promises shall never be redeemable in our standard gold dollars?

"To resume," said Secretary of the Treasury, John Sherman on Jan. 8, 1879, "is to recover from illness, to escape danger, to stand sound and healthy in the financial world, with our currency based upon the intrinsic value of solid coin." (John Sherman's "Recollections of Forty Years in the House, Senate and Cabinet." The Werner Co., New York and Chicago, 1895, Vol. II, p. 704.) John Sherman was correct then, and his statement is correct now—on this anniversary of his birth, May 10 of 1823.

Our body of contract law, which has been built through centuries of effort and experience, is designed to compel men to avoid making contracts which they cannot or do not intend to fulfill, and to fulfill those made or suffer prescribed penalties. Such law rests upon the principle that fulfillment of contract, where legal contracts can be made, is both desirable and necessary if men are to deal justly and therefore easily with one another. Apparently in no aspect of our body of contract law is there acceptance of the proposition that non-fulfillment of a legally-made contract has virtue.

By what process of logic may one correctly contend that, while our body of contract law requires individuals to fulfill their promises to pay, our Federal Reserve banks and United States Treasury may properly be excused from such fulfillment?

Is it not generally recognized that a lower standard of obligation for the ruler as compared with that of the ruled is characteristic of irresponsible government and tyranny?

Our republican form of government was not designed to rest upon such a principle. The welfare of our people has not been, and cannot be, fostered by adherence to that principle. Its presence in our midst today is a manifestation of a serious lapse not only in our official standards regarding obligations of contract but also in our general standards regarding the meaning and importance of integrity in both our private and official activities.

Since an irredeemable currency diffuses its evil influence throughout the ramifications of our nation's economic, social, and political spheres in subtle ways not widely understood, this lapse from the proper standard of integrity is, like a cancerous growth, persistently weakening our people, impairing their freedom, and steadily undermining the vitality of this nation.

Perhaps one illustration will suffice to show the subtle aspect of the weakening process inherent in an irredeemable currency, and also how the public fails to react strongly because of lack of understanding of this process:

The total loss, because of a depreciated dollar, on the average value of life insurance policies, time deposits in banks, and E, F and G savings bonds for the years 1941-1950, in 1950 dollars as compared with 1941 dollars, amounted to $113,565,524,000. This huge loss, lightly regarded because so poorly understood, stands in sharp contrast to the officially estimated total loss of $1,901,000,000 by depositors in suspended banks during the years 1921-1933. Regarding the latter loss, extending over 13 years, and which is only 1/61 of that over 10 years on the three items mentioned, we still write and speak with emotion for the reason, apparently, that the meaning of that loss was brought home to us in a manner we could understand. But regarding a loss more than 61 times greater, on only the three items specified, we offer in general little more than platitudinous observations that reveal our small understanding of the devastating effects of a depreciating currency.

The quality of irredeemability is the most potent of all forces known as causes of a depreciating currency. Is there any valid reason for supposing that a good monetary system can be based upon the principle of irredeemability? The evidence provides a strong negative answer.

(2) If the dollar is our standard monetary unit, can our government justly require our people to accept one type of dollar and withhold another? If we have gold, silver, and paper dollars, can a government properly discriminate between them without giving some dollars more value than others and without admitting, by its act of discrimination, that some dollars are more valuable than others? If it so discriminates, on what basis of justice may it keep the most valuable dollars for itself and compel the people of the United States to accept the less or least valuable kind of dollars?

(3) Is there a valid basis for the present practice of our United States Government of giving foreign central banks and governments access to all types of our dollars, and to choose the more valuable variety — gold — while denying this right to our own people?

(4) What are the proper functions of reserves in our Federal Reserve banks? What is the purpose of a reserve if it cannot be used—that is, paid out—when needed? What does it mean to say that these banks hold reserves against their notes and deposits if these reserves cannot be paid out when the holders of these notes and deposits wish to exchange them for the so-called reserve?

If this reserve is paid out at all, is there a valid basis on which to discriminate between holders of the notes and deposits who present them in exchange for that reserve? Is it not a fact that these reserves are held by the Federal Reserve banks against all their notes and deposits? Since these reserves are paid out only to foreign central banks and governments who present note or deposit claims against these reserves, while the same right is denied to domestic holders of the identical kind of claims against which the same kind of reserve is ostensibly held, is it not a fact that the reserves are in practice usable only against that portion of notes and deposits presented for redemption by foreign central banks and governments? Therefore, is not the holding of reserves against all their Federal Reserve notes and deposits mere pretense in so far as usableness of these reserves is concerned? How can one demonstrate that the principle of honesty underlies the law that requires the Federal Reserve banks to hold a reserve against all their notes and deposits and at the same time permits these banks to pay out this reserve to foreign claimants while refusing to pay it to domestic holders of the same kinds of claims?

Issuance of Paper Money vs. Debt

(5) Is there any valid defense for the issuance of paper money against the debt of the United States? Is it not a fact that our closest and most experienced students in the field of money have for many generations condemned such practice? Had they not studied the world's experiments with the issuance of money against government debt and had they not learned that the procedure was, and is, unsound? Just what new principle was learned in this country in the 1930's which demonstrates that the lessons so often learned in the past, and repeatedly pointed out by reputable monetary economists prior to 1932, are no longer applicable? Is it any less true today than in John Law's time in the first quarter of the Eighteenth Century that government debt can be created without limit and that this can give rise to great issues and depreciation of irredeemable money? Is it not a fact that we have simply reverted to an old and well-established principle of currency issuance which facilitates depreciation in the purchasing power of a currency so issued? Is there any valid basis on which to justify the adoption of the principle of currency issuance known for many generations to be both unsound and dangerous? Are not the declines of 58% (as of April 24, 1951) in the purchasing power of the dollar since 1939, and of 61% since January, 1934, sufficient to warn us that there is nothing fundamentally new in the course we have been pursuing or in the results we are witnessing in respect to our monetary policies and procedures? Should it not be amply clear by this time that our monetary structure is afflicted with a very old and well-known disease?

Government Domination of the Central Banking System

(6) Are not the world's lessons with respect to the proper relationship between a central banking system and the government such that we know that trouble

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*An address by Dr. Spahr before Conference on the Monetary, Fiscal and Credit Policies of the United States in the Present World Crisis, under the auspices of the Economists' National Committee on Monetary Policy, Washington, May 10, 1951.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A falling off in some lines of production last week brought total industrial output to a point very slightly below the high level of the prior period. Notwithstanding this, aggregate production was sustained at a level close to the postwar high.

The picture of employment continued to show that total claims for unemployment insurance in the most recent recorded week held noticeably below the level of a year ago.

Steel production the current week is set for 103.9% of capacity or 0.1 point under the all-time high record for the industry.

Transition to the Controlled Materials Plan in the distribution of steel, copper and aluminum will be longer drawn out than many metalworking executives anticipated, says "Steel," the weekly magazine of metalworking this week. Formal inauguration of the plan is set for July 1, but it looks as though it will be September, possibly October, before the new method of distribution can be made fully operative.

Pending word from Washington as to the extent of tonnages required for directive programs, the steel producers are being forced to set back their deadlines on carbon steel for the scheduling of July work, states this trade magazine. This deadline was scheduled originally for May 15. Expectations now are that July rolling schedules eventually will bet set up along much the same lines as heretofore, although overall requirements for defense and defense-support programs undoubtedly will be larger than in June. The mills also anticipate much the same scheduling pattern for August in view of the fact the Controlled Materials Plan is not likely to be ready for full application before September, if then.

Further cutbacks in civilian consumption of steel products are being put into effect, it notes. Automotive use of steel in June will be cut 5 percentage points to 75% of the industry's consumption in the first half of 1950, and will drop another 5 points to 70% beginning the third quarter. Building steel use will be cut back further through latest regulations which necessitate government approval of all projects involving more than 25 tons of steel.

Rated tonnage on mill order books now extends months into the future and the volume is growing steadily. How much steel will be left over for unrated account after CMP requirements are satisfied, as yet, is unknown, and won't be known until government contractors' reports on needs are reported back to the control authorities, "Steel" magazine observes.

A slight increase in automotive production occurred during the past week.

Chrysler instituted overtime operations briefly the past week at DeSoto to pick up losses resulting from the Budd Co. strike the previous week, "Ward's Automotive Reports," reported. The agency cited this as evidence the industry is trying to build as many vehicles as possible before additional restrictions in steel use take effect June 1.

This agency said the auto makers are also facing the problem of keeping current employment forces intact for shifts to defense production later this year. This was observed at Ford where assembly plants this month will operate 21 workings days instead of the normal 22. Management undoubtedly chose this course over reducing daily output rates, which would have resulted in employee layoffs, the agency commented.

It is not likely United States output in any week during the remainder of the year will match the comparable week of last year, since weekly and monthly industry records were set from May through December of 1950 following Chrysler's resumption, Ward's stated.

On Tuesday of last week the State Department announced an important change in the tariff structure of the United States, providing lower rates on dutiable imports under the Torquay Protocol. These imports, it is understood, accounted for about 16% of the 1949 value of the total purchases abroad. As a result of the changes, American consumers can hope for lower prices on a number of foreign items they buy. However, American manufacturers of 1,325 imported items covered in the cuts which become effective starting next month will be confronted with increased foreign competition in the domestic market.

Charles E. Wilson, mobilization director, made known last week that the use of steel for automobiles will be cut another 5% to 10%, "but not much more." He further stated that a roughly comparable curtailment is in prospect for refrigerators, washing machines and other civilian goods. Mr. Wilson predicted that a

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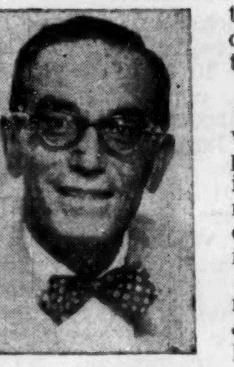
Now—What's Ahead for Government Bonds?

By A. WILFRED MAY*

Assaying the repercussions of Peg-withdrawal on the Savings Bond program as well as the open-market, Mr. May asserts as the overriding conclusion the demonstrated difficulty of removing artificial unsound controls once they have been created. Cites various underlying steps indispensable to preserve government's solvency and bonds' real value; emphasizing great obstacle to inflation-curtailment resulting from vested interest in its pleasant short-term effects being selfishly embraced by so many community groups.

Government bonds' **principal** and their **value**—although the terms are often interchanged (as by the printer of your program)—constitute two entirely distinct matters.



A. Wilfred May

The Treasury's preservation of the principal, that is, its repayment of its obligations at maturity in the same **number** of dollars which had been borrowed, obviously is always feasible with our present-day well-oiled monetary machinery.

Unforeseen Complications Entailed in Pegging

Also the bonds' continuing market price can, as we have seen during the past decade, be maintained. But market stabilization, as we have been constantly learning, necessarily entails repercussions throughout the economy whose gravity can right now be particularly appreciated. For we are witnessing the fact that withdrawal of the Federal Reserve's long-standing pegs has, as is characteristic of so many control-imposed situations, opened up a surprising number and kind of complexities. For example, in addition to the market uncertainties put in the way of institutions and other professional bond buyers, we are witnessing a serious deterioration in the morale and confidence of individual savers, comprising both existing holders and potential new purchasers. Such discouraged individual, vital to an inclusive anti-inflation savings effort, range from recent switchers to the new long-term 2¾s, whose current liquidating value has plummeted down to 97⅛; to present and prospective holders of Savings Bonds into whose ears is being dinned the widely-aired expectations of further-rising yields obtainable from other bonds competing for their money.

Savings Bonds' Redemption-Prevention Easier Than New Selling

More feasible than **new** sales of Savings Bonds will be curtailment of redemptions before maturity. The excessive sacrifice in yield that is assumed by bondholders who liquidate, can be pointed out. It can be explained that after five years the E-Bondholder gets a yield of 2.5% during the following year, and in each of the succeeding 12-months of holding: successively 3.6%; 4.6%; 4.4%, and 6.4% during the 10th year. Looked at from another angle, after five years of holding, the yield to maturity ranges between 4.1 and 4.41%. **For the six-year-Savings-Bond-holder to get an equivalent yield from an open-market obligation with an equivalent maturity, the 2½s of 1956, now selling at 102 to yield 2.09%, would have to drop a full 10 points to 92⅛.**

*Statement by Mr. May before the Conference on the Monetary, Fiscal, and Credit Policies of the United States in the Present World Crisis, under the auspices of the Economists' National Committee on Monetary Policy, Washington, May 10, 1951.

Freedom From Complexity

A major advantage to Savings Bond purchasers is their lesser complexity to the layman due to their clearly-stated, reliable and continuing cash-in privilege; contrasted with actual and exaggerated imponderables surrounding the open-market obligations.

In any event, fresh sales of bonds, particularly of the actually lower-yielding (app. 2½%) F's and G's, have undoubtedly been rendered more difficult by the Peg-pulling. And the yield on new sales cannot be increased, because of the flood of redemptions which that move would certainly set in motion.

Damage to Savings Bond Program In-Flationary

So it must be remembered that the healthy general economic anti-inflationary effect of bond-peg removal carries the negative offset of inflation-stimulation, from curtailment of the distribution of the importantly deflationary Savings Bonds going into the hands of real savers.

Temporary Stabilizing Manipulations No Solution

Discussions I have had with Reserve Board spokesmen confirm that the long-term government bond market will be non-existent pending an extended period of curtailment of new issues and capital expenditure. They indicate that meanwhile in lieu of the former above-par pegs the open-market issues will be supported, and the market generally stabilized, at times of Treasury financing operations, to instill buyers' confidence in their price structure. But not only does this seem to conflict with the objections to the pre-SEC stock market speculators' stabilization manipulations, but it will be ineffective. Short periods of the Treasury's strong-arm pegging in an otherwise shaky market may well scare liquidity-conscious buyers off instead of attracting them.

Fundamental Difficulty of Shaking-Off Controls

The overriding lesson from the present government bond market situation would hence seem to be (1) that once an artificial market has been established there is nothing available better than a Hobson's Choice between undesirable alternatives, and (2) that the real remedies require **fundamental** steps.

Such steps exist along the following lines.

We must bear in mind the basic fact that preserving the **value** of the bonds means preserving the **value** of the dollars repaying the principal to the saver at maturity; and that this in turn requires the solvency of the government itself.

How Achieve Solvency? Too Many Like Their Disease

My own approach—quite orthodox—to the anti-inflation goal is pointing out as the main obstacle to the stopping of inflation the fact that so many in the community like it—enjoy its short-term effects. In the emotional realm, the situation is analogous to the comparatively great difficulties psychiatrics have in the cure of alcoholics; the manifestations of the disease being so enjoyable. The farmer, the wage-earner and the others "on-the-escalator," the producer of a raw material, the businessman demanding tariffs benefits, the investor and all others owning equities rather than fixed-interest assets—all have a degree of vested interest in inflation, and actually only want deflation for-the-other-fellow. We are witnessing some who formerly were so vehemently and righteously demanding the removal of government bond pegs, now complaining to Heaven about the results not-so-pleasant to them. On those with political interests—there rests a great responsibility on the Executive and the Congress—including **both** sides of the aisle—to cut out selfish political motivations in arriving at decisions; even

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Values in Today's Market

By I. KOMANOFF
Herzfeld & Stern, New York City,
Members of New York Stock Exchange

Cautioning against indiscriminate purchase of securities, particularly in the "growth" classification, Mr. Komanoff recommends two issues described as realistically priced and offering excellent values from a longer-term basis.

With the Dow-Jones Industrials in the 260-265 area, it is naturally becoming increasingly difficult to select securities which the investor can purchase in confidence today, with the idea of selling at a substantial profit in six months.


I. Komanoff

During the past several weeks, that group of securities known as growth or "fantasy" stocks, (such as certain chemicals and drugs), has been putting on a display of market strength, nothing short of sensational. In fact, it begins to appear to this writer, that many of these issues have advanced to a point where they begin to borrow quite a bit from their future, and careful and discriminating selection by any would-be purchaser of stocks in this group becomes a necessity.

For example, less than a year ago this writer strongly recommended Dixie-Cup, then selling at $35 a share as a good growth situation. Today Dixie-Cup is selling at $70 per share and certainly can no longer be considered a bargain. Such is also the case with many growth stocks. Nevertheless, after a very careful and thorough search of potential stocks which have not yet been exploited marketwise, this writer suggests what seem to be two sound, good, realistically priced issues, which appear to offer excellent values from a longer-term basis.

These issues are:

(1) **S. S. White Dental Manufacturing Co.** now around $34.

(2) **Visking Corporation** now around $39.

BOTH issues are listed on the New York Stock Exchange.

BOTH have simple capitalizations consisting solely of common stocks.

BOTH have unusually strong financial conditions.

BOTH are selling at fairly low ratios of market price in relation to earnings for issues of such growth and fantasy—approximately 7-8 times estimated 1951 earnings, as against a price-earnings ratio of 15-20 times prevailing today for many growth issues.

BOTH are companies with long unbroken dividend records, with that of White Dental going back to 1881.

BOTH are companies whose earnings this year, despite the weight of much heavier taxes will show substantial gains over last year.

BOTH are issues whose current prices are considerably below their 1946 prices—at a time when the prices of most growth stocks are sharply higher than their 1946 levels.

Because of space limitations, it will be impossible to describe in complete detail all of the factors which, in the writer's opinion, mark these issues as outstanding values in today's market. Therefore only a rather brief description of both follows:

White Dental is the world's largest and oldest manufacturer and distributor of dental supplies. Its business is not only national, but international, reaching out into Australia, Brazil, England, France and Canada. Of course, the big factor in this company's emergence as a fantasy and new products situation is the final production and development after years of experimentation and research of the AIRDENT Unit—a new type of equipment for excavation of tooth cavities. This product revolutionizes the old dental process of tooth drilling, by substituting a relatively painless and high pressure air technique over the old-fashioned painful drilling bur.

Commercial production and shipment of these AIRDENT Units started in December, 1950, and judging from the enthusiastic reception given to them by the dental profession, the company will have a market for this new product lasting for many years.

Earnings for the first quarter, although not yet released, have been officially estimated at around $1 per share as against 36 cents a year ago. The company itself in its annual report for 1950 looks forward to 1951 as being "most successful in volume and profits." This writer estimates 1951 earnings in the realm of $4.50-$5.00 per share, with dividend payments expected to exceed last year's total of $1.60 plus 5% in stock. Capitalization is extremely simple, consisting solely of 350,000 shares of common stock, with net current assets alone amounting to $30 per share.

Visking Corp. is primarily engaged in the manufacture of extruded cellulose casings. Formerly, these casings found their use only in meat products, such as sausage. Now, however, the field for Visking's products has widened spectacularly to embrace packaging for all types of products both in food and other lines.

Sales last year reached an all-time high of about $25,000,000, a rate four times that of 1941. Earnings also reached an all-time high of $5.34 per share. The report for the first quarter of 1951, just released, shows sales up 50% over a year ago, earnings before taxes up almost 200%, and earnings after accruing taxes at a 65% maximum, equaling $1.13 per share as against 74 cents a year ago. For the entire year of 1951 earnings could conceivably reach the $6-$7 level, which dividend payments should exceed last year's $2.50.

Visking's financial condition is excellent and capitalization is very simple—consisting only of 594,000 shares on which dividends have been paid each year back to 1930. In the writer's opinion, Visking represents one of the most dynamic growth situations today. It is interesting to note that in 1946, when earnings were only $3 per share and dividends only $1.59 per share, Visking sold at $52 as against today's price of about $39.

Conclusion

Growth stocks always have had and will continue to have an exciting appeal to the investor because of their constantly expanding new products. However, because of the large advance many of these issues have recently enjoyed, careful discrimination in new purchases is essential. In the stocks of **White Dental**—now around $34—and **Visking Corp.**—now around $39—the investor still has an opportunity to participate in two sound growth situations at reasonable prices, both marketwise and earnings-wise.

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Now—What's Ahead For Gov't Bonds?

though that involves risking their political necks. This comprises both little and big areas. The smaller area embraces the resisting of spending grabs for sectional projects, and yielding to pressure on specific items a la the pork barrel. By the larger sense I mean catering to the self-ish interests of politically powerful segments of the electorate on major questions.

So—it is not enough to say "return to gold." We must get the people throughout the entire community to be willing to do the things creating a politics-free situation making gold-convertibility realistically possible.

An Anti-Inflation Platform

Implementing the underlying constructive spirit, I would suggest the following as some of the basic planks in an anti-inflationary platform:

(1) A **whole-hearted** attempt at drastic cuts in spending—military and non-military. "Defense" items are not sacrosanct; and there is definitely no excuse for the non-defense budget to be totalling one-third more than in 1948.

(2) A courageous non-political tax policy. In lieu of further pursuit of the "soak-the-rich" mirage, get at the presently untapped pool of $140 billion of income in the lower brackets; and mop up excess purchasing power and glean $7 billion of revenue from a national retail sales tax.

(3) An overall tightening of monetary and credit controls.

(4) Proper management of the public debt, to keep it out of the banking system.

(5) A firm stand against further rounds of wage-price spiral.

* * *

I believe that there will always be intermediate down as well as up swings in the dollar's purchasing power over the years. But over the secular long-pull, nothing short of steps such as these, undertaken with courage and ex-politics, can preserve the future **value** of government bonds, along with national solvency.

Equity Investments For Savings Banks

By JULES I. BOGEN*
Professor of Finance, New York University
Economic Consultant, Savings Banks Trust Co.

Assigning as two main reasons for growing institutional interest in equities: (1) substantially higher income yeld; and (2) benefits derived from retained earnings, Dr. Bogen outlines techniques for minimizing risks in equity investment, such as (1) selection of issues; (2) timing of purchases; and (3) establishment of reserves against losses. Foresees less fluctuations in stock prices in future. Concludes savings banks can safely put part of surplus in stocks.

One of the most significant trends of our day in the field of investment has been the growing interest of institutional investors in the purchase of equities.


Dr. Jules I. Bogen

New York this year joined the thirty-nine other states that permit life insurance companies to invest in common stocks. Last year, New York authorized trust companies to invest up to 35 per cent of the funds of "legal" trusts in equities. More than half of a representative list of pension funds of large corporations, including the Retirement System of the Federal Reserve banks, hold equities in their portfolios. College and University endowment funds have largely expanded their equity holdings.

What are the motives for this growing institutional interest in equity investment? Are these motives valid for savings banks, as for other financial institutions?

There are two main reasons for this trend.

First, there is the substantially higher yield which equities provide. Over the past three years, all common stocks listed on the New York Stock Exchange gave an average yield on current market price of over 6 per cent, while corporate bond yields as computed by Moody's have averaged less than 3 per cent. Institutions with a long record of stock investment have realized substantially higher rates of return than those limiting themselves to the purchase of bonds and mortgage loans.

Secondly, investors in common stocks benefit also from reinvestment of retained earnings. Over the past five years, corporations paid out little more than 40 per cent of their earnings as dividends, in the aggregate. The balance was retained for the benefit of the owners of the corporations—the stockholders. These retained earnings, when reinvested, give rise to future increases in earning power and in dividends. Only stockholders get any direct benefit from retained earnings—bondholders are entitled at most only to the contractual rate of interest and to repayment of principal at maturity.

Price Fluctuations and Risks

But conservative investors know that the desirability of any investment will be determined by future, rather than past, experience. And many investors have misgivings about the future of equity investment because of the added risk to which common stocks are subject.

Stocks, by their very nature, are subject to wider fluctuations in price and in yield than are bonds. Bond prices cannot rise materially above par, being entitled only to a fixed rate of return and to repayment of the principal amount at maturity. Because of this virtual ceiling on bond prices, they will not decline much below par except in case of default.

Equities, by contrast, are subject to no such price ceiling. They can rise to great heights in periods of prosperity. For that very reason, they can decline drastically when conditions turn unfavorable. Most of us remember the widest swing in stock market history, when the Dow-Jones industrial average, having soared to 381 in the 1929 boom, declined to a low of only 41 in the 1932 depression.

Dividend payments, like stock prices, may rise sharply at one time, only to fall correspondingly in subsequent depression periods.

In view of the inherent greater relative risk that attaches to investment in stocks, how can we explain the marked trend of recent years towards increased investment in equity by financial institutions?

Techniques for Minimizing Risk

Chiefly, I believe, this trend is to be explained by the development of portfolio management techniques that are expected to minimize the risks that will attach to investment in equities. In addition, the belief is widespread that a number of causes of more extreme fluctuations in stock prices have been partially or completely eliminated in recent years.

Risks attaching to investment in common stocks can be reduced in three ways. These are:

(1) **Selection of issues that minimize risk.** Stocks of seasoned companies in essential industries, with proven managements and a record of consistent earning power and dividend payments, involve less risk than the market generally. Risk is also lessened by selecting stocks of companies that limit resort to bond and preferred stock issues having prior claims to earnings. Institutional investors tend to favor growth companies, since the upward trend of earnings should hasten recovery should there be a decline in price or dividends following purchase.

(2) **Timing of purchases** so as to avoid bunching purchases in periods of relatively high prices. Forecasting of security prices, as we all know, is a highly uncertain undertaking. But keen interest has developed in recent years in so-called "formula plans," by which it is sought to buy on declines in price and to lighten holdings on advances.

The simplest type of formula plan is "dollar averaging," which calls for investment of a given number of dollars in common stocks each year. When prices are low, more shares are bought, and when prices are high, fewer shares. This results in pulling down the average cost of stocks acquired.

Another formula plan, known as the "constant ratio" plan, might

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*An address by Dr. Bogen before the 31st Annual Conference of the National Association of Mutual Savings Banks, Atlantic City, N. J., May 8, 1951.

FHA Housing and Mortgage Developments

By FRANKLIN D. RICHARDS*
Commissioner, Federal Housing Administration

Commissioner Richards reviews developments in Federal Housing Administration program and part played by mutual savings banks in making FHA loans. Discusses recent mortgage credit restrictions, and estimates dwelling units started in 1951 will be less than in 1950 by one-third. Outlines new housing legislation proposals, and concludes, with reduced volume of building, mortgage lenders will be able to absorb backlog of mortgages already made available.

During the entire history of the FHA the substantial support of savings banks has been a tribute to the insured mortgage plan. There are many reasons why insured mortgages appeal to savings banks as an investment. The insured mortgage has a liquidity unknown in any other type of mortgage investment. It has eliminated uncertainty from residential mortgages. Furthermore, the whole mortgage transaction, including the borrower and location as well as the physical security, is as sound as careful and trained underwriting analysis can make it.


Franklin D. Richards

It is logical that savings banks were quick to see the advantages of investment in insured mortgages. With the insured mortgage plan, the market for mortgage securities expanded from one of local to national scope. Savings banks in many states were permitted under the law to operate on a national scale and as you know, the laws of New York and Massachusetts were amended so that savings banks may make FHA loans on properties located anywhere within the United States. Even before the change, the Institutional Securities Corporation in New York built up an impressive portfolio of insured mortgages from many parts of the country. My good friend and President of the Institutional Securities Corp., Bob Pratt, has made a most commendable record in this field.

*An address by Commissioner Richards before the 31st Annual Conference of the National Association of Mutual Savings Banks, Atlantic City, N. J., May 8, 1951.

Banks Increase Mortgage Holdings

The mortgage holdings of savings banks increased over $1½ billion last year. This was a record gain. So far this year the mortgage recordings of savings banks have shown an even further increase. In FHA operations the increased activity has been felt in both originations and in purchases for investment. As of the end of 1950 savings banks held 18.4% of all insured mortgages outstanding.

New problems and responsibilities face us today. I should like to discuss with you what FHA has done—our mutual problems—and the outlook as I see it. I also value your counsel.

Let us first evaluate the background of current conditions. From 1946 to the middle of 1950, the number of homes built in this country each year increased at a rapid rate. The 989,000 privately-financed nonfarm units started in 1949 broke all previous records and was in turn surpassed by the more than 1,350,000 units started in 1950.

During the spring of 1950, in the light of current events, elements of danger began to be apparent—serious inflationary trends were evident and the demands of national defense threatened to compete with home building for certain critical materials. Overall building costs were at a very high point. Then the outbreak of war in Korea caused a rush to buy materials and start new construction, which further complicated the situation.

Effects of Credit Restrictions

On July 18 the Federal Housing Administration announced credit restrictions to be effective on all applications for mortgage insurance filed after that date.

With the passage of the Defense Production Act, credit controls were also applied to uninsured home loans under the provisions of Regulation X of the Federal Reserve Board, effective Oct. 12. On the same day the FHA amended its July credit restrictions to make its requirements conform insofar as possible with Regulation X.

On Jan. 12 multi-family rental projects were brought under credit control by the Federal Reserve Board through the revision of Regulation X, and simultaneously again the FHA amended its multi-family rental restrictions to conform to Regulation X.

It is expected that as a result of current credit restrictions and other existing factors, the number of dwelling units started in 1951 will be approximately a third less than in 1950. The best estimate at the present time is that the current year's figure may be between 800,000 and 850,000. This is not far from the 1947 volume of 846,000 units, which at that time was considered a notable achievement as it had not been equaled since the mid-twenties.

The ultimate effect of the credit curbs alone cannot be accurately gauged because of other factors involved, such as the availability of materials and labor, high costs, concern as to whether further restrictive orders will be issued, tightening of construction money, as well as other economic and money market changes.

However, in looking at what has been done so far this year, we can only conclude that home production is continuing at a rather high level. FHA starts in the first quarter of this year were 66,000 compared to 89,000 in the first quarter of last year. Total starts, with all types of financing, in the first quarter of this year ran about 249,000 in comparison to 276,000 in 1950.

This high record of starts in January, February and March of this year is a reflection of the high filings of applications for financing during the last six months of 1950.

With the backlog of accelerated filings of last fall, together with the current volume of new home applications, indications at this time are that the estimated volume of 800,000 to 850,000 units does not appear out of line, barring some radical change in defense requirements.

We do know, however, that conditions can change and also that the credit curbs are flexible. The action already taken to permit terms different from established credit regulations for specific new construction necessary to the national defense in Paducah, Ky.; Savannah River, S. C.; Idaho Falls, Idaho; and San Diego, Calif., are examples of modification of credit curbs to meet urgent needs.

New Housing Legislation Proposals

In view of the present international situation, various legislative proposals concerning housing have

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Production, Not Inflation, Our Serious Problem

By LEON KEYSERLING*

Chairman, President's Council of Economic Advisers

Asserting our economy can stand strain of national defense, leading government economist belittles adverse effects of inflation, but admits its continuation at rate since Korean war cannot be tolerated. Lays down as anti-inflationary program: (1) cutting out non-essential expenditures; (2) additional taxes; (3) more credit controls; and (4) intensification of price and wage stabilization efforts. Urges complete utilization of labor force, and, a longer work week in key areas, along with constant improvement in technology.

There can be no doubt that inflation is a serious challenge. We must meet it courageously and fully. But it would be disastrous to regard inflation as our sole or even our greatest problem. For to do this would divert our attention from the task of supreme importance—which is to resist the menace of Communist world aggression. We must pledge to that purpose not only our growing defense organization, but also however much economic effort, cost, and sacrifice may be necessary. In short, we cannot throw away security in order not to be bothered by inflation.

Leon H. Keyserling

For example, we could get rid of our inflationary pressures tomorrow by abandoning the vast increases being undertaken in our defense program. But to do so would endanger our safety and all those precious liberties and institutions which we value even more highly than our safety. There is no chance that the American people will fall into this error. Yet there is the possibility that, if we get so preoccupied with relief from inflation that we underestimate the towering issue now confronting mankind, we may become unwilling to do *enough* by way of national defense, and by way of the international programs which are so closely tied in with our own national security. If this happened, we could lose *all*.

So we must view the problem of inflation in the perspective of world events.

We must remember that, whenever we have been called upon to build up our defenses to resist aggression, we have had the problem of inflation during the first months or year of that build-up. The high cost of living became a household word soon after we began to resist Prussian militarism 35 years ago. Rising prices again worried us, when we became the arsenal for democracy ten years ago. In each of these instances, there was talk about the declining value of the dollar. There were even some who thought that the way to protect the dollar was to reduce or slow down the programs designed adequately to protect the country. If that sentiment had been followed, we would have lost not only our dollars but also our country. But because we did not commit this error, we lived through and ultimately overcame our inflationary troubles, and we moved forward to higher levels of business prosperity, production, wages, and standards of living than we had even known before.

A dollar, it is true, can buy less now that it could ten years ago or 20 years ago. But because we have maintained our freedom, increased our production, and expanded our economy, the total number of dollars in our national income has risen much faster than the decline in the buying power of a single dollar. Consequently, the net effect is that the average family of today eats better, dresses better, works fewer hours, has more mechanical comforts and conveniences, and also has more personal savings and social security than the average family of ten or 20 years ago.

No great and productive nation was ever ruined primarily by inflation. Inflation has struck a final blow, to nations which were first weakened and undermined by some combination of military defeat, or destruction of productive facilities through war, or internal factional strife, or famine or other domestic disaster, or moral decay.

If we succeed in achieving a peaceful world based upon justice, nothing can be more certain than that the vital and throbbing American economy will continue its timeless progress, and that in the years ahead the average family will have still higher living standards and still more economic security. Those who say that inflation is a greater danger to us than Stalin are unwittingly giving comfort to Stalin.

Our Economy Can Stand the Strain of National Defense

A question frequently heard in these trying times is this: "Can our American economy stand the strain of the greatly increased defense program, plus the other international obligations which the world crisis forces upon us?" This is an appropriate question, because in the final analysis the strength and productivity of our economy support all of the material things that we are trying to do.

It is fair to recall that no sensible person in the United States raised any cry of despair or lack of confidence about the ability of our economy to stand the strain after Pearl Harbor, when we set out upon an expansion of our military strength about two and one-half times as great in proportion to our total production as the defense program which we are now undertaking. Nobody in those times said that we could not stand the strain, because everybody realized that we had to do it. And, because we faced up to that responsibility, we won the war and remained a free nation. Not only that. In addition, far from wrecking or weakening our economy in that great effort, we actually strengthened it. During the actual course of World War II, we expanded our productive facilities within industry. We immensely increased the productivity of the soil in agriculture. We learned how to use our labor supply more efficiently. Spurred on by that necessity which is the mother of invention, we developed new and better tools and processes. And when the war was over, our economy was not weaker but stronger than ever before.

Some of the faint-hearted then thought that this very strength would be our downfall, that we would not be able to utilize in time of peace the enormous productive capacity which we had built up in time of war—and consequently they predicted a great postwar depression. But the depression did not arrive. For five years after V-J Day, from 1945 to 1950, we marched fairly constantly with only minor interruptions to still higher levels of peacetime production, still higher levels of business income, farm income and wages, and still higher standards of living.

The build-up of our defense strength which we are now undertaking is far smaller, both in absolute terms and compared to the total size and productivity of our economy, than the defense effort undertaken during the four years after Pearl Harbor. Then we undertook to build up to a peak level of defense outlays approximating $100 billion a year, and absorbing close to half of the output of our entire economy. Now we are attempting a defense build-up which, under current plans, may rise to an annual rate of $55-$65 billion within a year or two; but even at that level it would absorb less than one-fifth of the total output of our economy in 1952 or 1953.

The reason for this slower and smaller defense build-up, contrasted with that we undertook after Pearl Harbor, is not that we are less concerned about our national safety. It is rather that now we are not committed to the inevitability of a third World War. Instead, we are seeking through the substantial but gradual martialling of the strength of the free nations to deter the aggressors from forcing a third war upon the world.

In view of these figures I have cited, there is no reasonable basis for the fear in some quarters that our economy cannot now stand a very much lesser strain than it stood so well between 1940 and 1945. The only explanation of this fear is that what we are now trying to do looks too big when viewed through the eyes of those who have not awakened to the nature or reality of the danger now confronting us. To those who are so foolish as to think that this danger has subsided whenever the armies of the United Nations advance a few miles in Korea, our defense plans may look too big. But to those who realize that the real source of our danger lies in the size and strength, the motives and actions, of the Soviet power, there will be no erroneous conclusions drawn from the daily changes in a relatively minor war in Korea. If we should fail to recognize and act upon the real implications of that war in Korea, we could bring down upon our heads an even greater danger of that relatively minor war becoming a major war. And this is why we must continue vigorously to build up our national defenses, and not be side-tracked or slowed-down by false fear about the strain on our economy.

Sometimes the argument is made that, while the defense program we are now undertaking is smaller than during World War II, it may last for a longer number of years. And this leads to the question: "Will not this burden sap the strength of our economy, because of the length of time over which we may have to carry it?" The answer to this unfounded fear is fairly simple. The American economy is essentially young and vigorous. It gradually builds up to the strength to meet any new strain imposed upon it. Consequently, if we manage our economic affairs wisely, each succeeding year should find us better able than in the preceding year to carry the burden of a defense program rising even as high as one-fifth of our total output. For if our total output increases from

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*Statement of Mr. Keyserling before the Senate Banking and Currency Committee, Washington, D. C., May 9, 1951.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Dow Theory Comment—Applying Dow's teachings to today's market action—Current letter without obligation and with all requests mailed by June 1, 1951, a 111-page text book will be included—Rhea, Greiner & Co., Colorado Springs, Colorado.

Fire & Casualty Insurance Stocks—Comparison and analysis of 1950 earnings of 50 stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Graphic Stocks—January issue contains large, clear reproductions of 1,001 charts complete with dividend records for the full year of 1950, showing monthly highs, lows, earnings, capitalizations, volume on virtually every active stock on the New York Stock and Curb Exchanges—single copy $10.00; yearly (6 revised issues) $50.00—special offer of three editions of Graphic Stocks, 1924 through 1935; 1936 through 1947 and up-to-date current edition, all for $25.00—F. W. Stephens, 15 William Street, New York 5, N. Y.

Highlights—Bulletin of current developments for dealers only Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

"Information Please!"—Brochure explaining about put-and-call options—Thomas, Haab & Botts, 50 Broadway, New York 4, New York.

North Dakota Oil and the Railroads—Analysis—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the 30 listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an 11-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Planning for Profits in the Stock Market—Booklet discussing the three basic principles of correct investment procedure —$1 (included with each copy is a current primary trend graph showing present actual trend of the market, and an up-to-the-minate analysis of 445 stocks and 43 groups)—Dept. C-62, Investors Research Company, Mihran Building, Santa Barbara, Calif.

Public Utility Common Stocks—Comparative tables—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Puerto Rico and the Dominican Republic—Booklet describing 11-day cruise—Dept. CF, Bull Lines, 115 Broad Street, New York 4, N. Y.

Purchase and Sale of Unrefined Gold—Study—Morton Seidel & Company, 458 South Spring Street, Los Angeles 13, Calif.

Timing Factor — Explanatory folder plus samples of complete service—$1—Department B, Analyst Institute, 126 Lexington Avenue, New York 16, N. Y.

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Aerovox Corp.—Analysis—Raymond & Co., 148 State Street, Boston 9, Massachusetts.

American Marietta Co—Memorandum—Kerr & Co., General Petroleum Building, Los Angeles, Calif.

American Woolen Co.—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y.

Audio Devices, Inc.—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

Beneficial Industrial Loan Corp. — Memorandum — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Bristol Myers—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Connecticut Light & Power—Descriptive circular—Chas. W. Scranton & Co., 209 Church Street, New Haven 7, Conn. Also available are circulars on **United Illuminating, Connecticut Power, New Haven Gas Light, Hartford Electric Light,** and **Hartford Gas.**

L. A. Darling—Data—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Fansteel Metallurgical Corp.—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available are reviews of **Derby Oil Company** and **Pittsburgh Steel Co.**

Foremost Dairies, Inc.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Four Wheel Drive Auto Company—Analysis—Dayton & Gernon, 105 South La Salle Street, Chicago 3, Ill.

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New Officers of Nat'l Association of Mutual Savs. Banks

Carl G. Freese, President and Treasurer, Connecticut Savings Bank of New Haven, Conn., on May 9 was elected President of the National Association of Mutual Savings Banks at its 31st Annual Conference which was held at Atlantic City on May 7 to 9, inclusive. Mr. Freese served as the Association's Vice-President last year and has been a member of its Committee on Government Bonds and the Public


Carl G. Freese Robt. M. Catharine

Debt since 1947. He is also a member of the Association's Executive Committee and Council of Administration and is a former President of The Savings Banks' Association of Connecticut.

Mr. Freese is a man of wide experience in the banking and investment field. He was associated for 25 years with R. L. Day & Co., investment specialists, serving as a partner of that firm from 1928-43. In 1943, he came with the Connecticut Savings Bank as a Vice-President, assuming the additional responsibilities of Treasurer in 1946. He was elected President of the bank in 1948.

Born in Framingham, Mass., Mr. Freese is a graduate of Harvard University, receiving his AB degree in 1915. He has lived in the New Haven area since 1923. During World War I, he served in the U. S. Ambulance Service with the French Army for two years, winning the Croix de Guerre and other citations. Following the war, he was attached to the American Commission in Paris to negotiate peace. In World War II, he served as co-Chairman of the War Finance Committee for the New Haven region in all eight war-loan campaigns.

The newly elected Vice-President is Robert M. Catharine, President, Dollar Savings Bank of the City of New York. Mr. Catharine has served on several important association committees, including its Executive Committee and its Council of Administration. He is also a past President of the Savings Bank Association of the State of New York.

Mr. Catharine was born in Jersey City, N. J. He started his banking career at the age of 17 with the Title Guarantee & Trust Company in Jamaica, L. I., where he rose to Manager of the Banking Department in 1917. He left there in 1919 to accept the post of assistant cashier with the Bank of Manhattan Company. In 1926, he was made Assistant Vice-President and in 1928, Vice-President in charge of the uptown division. In 1930, he became associated with the New York Title & Mortgage Company, becoming Vice-President in 1933.

From 1934 to 1936, he served in Washington, D. C., as Senior Deputy Administrator of the Federal Housing Administration, and at the end of that time returned to New York as comptroller and trustee of the Dollar Savings Bank. In 1938, he was promoted to Executive Vice-President and in 1941 to President.

Gold-Redeemable Currency the Basic Cure for Rising Prices

By HON. HOWARD BUFFETT*
U. S. Congressman from Nebraska

Congressman Buffett maintains whereas formerly gold redeemability was publicly regarded as an over-technical question and as advocated solely by cranks, today the lay public's broadening realization of rising prices warrants optimism over possibility of achieving victory for sound currency.

We need desperately to find new methods of getting public and legislative interest in gold-redeemable currency as the basic cure to the problem of rising prices. In the advertising business, I believe there are three stages: (1) Attention. (2) Interest. (3) Conviction. Thus far, we have not succeeded in achieving the first of these steps, except for a small minority.

Howard Buffett

This lack of interest and understanding is not a happenstance. For 50 years, the study of gold and its importance to a sound monetary system has been neglected in our universities and colleges.

"A Crank's Idea"

Walk down the street in any city and ask 100 people whether or not they believe in restoring the gold standard — and almost certainly more than 90 of them will think you are a crank.

Or go up on Capital Hill and try and discuss the same subject; and while you will be received with deference and politeness, the net result will be almost similar. It is not that my colleagues are hostile or even indifferent—we are just too busy on problems on which there is real pressure on us for prompt action. The restoration of a gold-redeemable currency is a technical and complicated proposal on which 10 so-called experts come up with three or more different answers. So what's the use of getting excited about it—is our general attitude.

Perhaps the foregoing overstates the difficulties that confront those of us who believe a gold-redeemable currency is the only genuine cure for inflation and the only permanent base for political freedom. I hope so.

But, like a good general, we should not underestimate the enemy. Our enemy is apathy, ignorance, and last, but not least, those who understand printing press money and are using it as an instrument to achieve unlimited power for themselves at the expense of the well-being and freedom of the people.

The Alternatives

Now I want to discuss very briefly and very gingerly one of the technical problems that is dividing the advocates of gold-redeemable currency. Apparently our ranks are split three ways here—some urge that we promptly restore the gold standard with the price of gold at $35 per ounce. A second group favor prompt restoration of the gold standard at some higher price. A third group favor a free gold market for a period of time, with the expectation that a so-called free market while Treasury stocks are sterilized can satisfactorily develop a true free market price.

Perhaps I do not state this third group's position quite accurately. That is not important. The important thing is that our small ranks are dividend, and our cause suffers correspondingly.

Meanwhile, the deterioration of the dollar goes on apace.

Yet, once we close ranks and devise a few effective appeals to put across our message, victory could come into sight.

Why do I say that, after painting what may seem to many of you as a gloomy picture?

People Awakening

My optimism on this score is based on the fact that the American people are waking up. They have seen their war bonds and their insurance and their savings bank deposits cut in two in purchasing power in the last decade. That has become an economic fact of life with them.

Ten years ago, those of us who attempted to sound the alarm on inflation were talking about a peril that was unreal and intangible. Now the people have been hurt. They know something is wrong, seriously wrong.

If you want actual evidence of their changed attitude, take a look at recent figures on war bond sales and redemptions. They are looking for an honest answer to inflation—not the old price and wage control hocus-pocus.

Who should give them the facts? In my book, the responsibility belongs to the banks and the life insurance companies. They are the largest custodians of the people's dollar savings. Unless they are completely misrepresenting their competence, they are intelligent enough to know that a currency redeemable in gold is the only final answer to a deteriorating currency.

And so I make the specific suggestion that vigorous methods be used to jar these custodians into action to carry out their responsibilities. I don't like to be harsh, but is it too much to say that they have been indifferent or even irresponsible in their attitude?

There are ways to force them to meet the challenge of this situation. I suggest they be explored. If the gigantic reservoir of social power inherent in the life insurance policy-holders of America is effectively activated, the problem of a deteriorating currency can be solved.

In the absence of that movement, I seriously doubt that the deterioration of the dollar will be stopped very far this side of zero. That is the road we are on.

And so the opportunity is here, and the time is now ripe to get the truth to the people.

Victory in this fight will mean more to human liberty and material progress than any military victory can ever achieve. Can we tell our story in values of this kind? Then we will win our fight.

Victory in the fight for a gold-redeemable currency and a regularly balanced budget will do more to save our civilization than any balance of power or international agreement. War seems to be an almost automatic political consequence of inflation. And so a currency redeemable in gold is almost certainly a necessary foundation for peace.

*Panel remarks by Congressman Buffett before Conference on the Monetary, Fiscal and Credit Policies of the United States in the Present World Crisis, under the auspices of the Economists' National Committee on Monetary Policy, Washington, May 10, 1951.

Rising Prices and Costs—Real Causes and Consequences

By LELAND REX ROBINSON*

Adjunct Professor of Political Economy, N. Y. University
Vice-President, Economists' National Committee on Monetary Policy

Dr. Robinson declares perversion of our government debt into purchasing power has created major menace to nation's defense effort, in having led to runaway prices. Points to "loading" of Federal Reserve and commercial banks with government paper, and other steps causing dilution of the people's money.

Rapid advances in prices, and therefore in costs, offer today a major menace to the defense effort. Depreciation in the purchasing power of the dollar is pressing Uncle Sam in his rearmament program even harder than it is the typical housewife in her family budget purchases.

Leland Rex Robinson

But unlike the latter, Uncle Sam in the person of our Federal Government has for the better part of two decades been able to live beyond his current means, to multiply his indebtdness many times, to turn this very indebtedness into money, and to require his creditors to accept payment in values substantially less than the original contract.

While apparently succeeding for a time in these unsound monetary and fiscal policies, our country now finds itself involved in global responsibilities and dangers, with an essentially sound economic and industrial system subject to the continuous sapping of spiralling costs, of prodigious government debt and of increasingly intricate controls which we can hardly palliate—much less cure—until we face up as a people to certain fundamentals in the wise and realistic management of the affairs of our public household.

Certainly it would not appear that such wise or realistic management of our "public household" has occurred during the last quarter century. In acquiring raw materials for peace or war, the purchasing agencies of government must now pay in general double or more the costs of the nineteen-twenties; and a fifth more than last summer. Spot prices of such essentials to defense as cotton, lead, steel scrap, tin and wool have since the outbreak of trouble in Korea, risen from a quarter to well over a hundred percent. And all this despite the vast increase in productivity and in production during the last quarter century.

We may explain this failure to control prices and production costs in monetary and fiscal terms, or in the more immediately visible market processes of demand for goods and services exceeding the supply, with the resulting gap which is popularly called "inflation." Whatever kind of explanation we offer, however, it all comes out to the same thing in the end.

"Put in a nutshell," as the expression goes, the problem can be visualized rather simply: — between 1926 and 1950 the dollars entering the markets to purchase commodities more than tripled, while industrial production, in physical terms, did not quite double.

Under such conditions the purchasing power of the dollar must give ground—and must continue to give ground, to the tune of mounting losses for the procurement agencies of government, for workers dependent upon pension and retirement funds, for owners of all so-called "liquid assets," and for all who are in any way dependent upon incomes fixed in money terms.

Of course what we call "inflation" can be held in check, or even controlled, provided production of all kinds of goods and services in demand can be stepped up to keep pace with the offering of money for them in the innumerable markets dominating economic activity. In such circumstances the general levels of prices can conceivably be held on an even keel, though it would never be either possible or desirable to freeze them into inflexible patterns in any dynamic or healthy economy. Even so, desirable as a "stable price level" might appear, in contrast with the runaway situation confronting us in recent years, this would not give to the more than 150,000,000 consumers of our nation and to our national, state and local governments, the boon of falling prices and costs which could pass on in the most direct and expeditious way the savings of modern technology and management.

We approach this happy state—or at least we stay the destructive results of depreciating money — when the volume of purchasing power set loose by issuance of money and by creation of bank credit brought into circulation through deposits subject to check, is directly associated with, and controlled by, production and savings. That is, currency unleashed against commodities should represent a corresponding contribution to the flow of goods and services, or a corresponding tightening sooner or later of our consumption belts in some sectors of the economy, in order that loans can be repaid and budgets balanced in both the individual and public "households."

Ordinary mortals are painfully aware of this. Extensions of credit meet their inevitable reckoning day. Incomes have to be earned by someone if in the longer run they are to be "cashed in" by anyone. Governments, however, do seem at times, and over considerable periods, to escape these homely consequences of man's "original fall" and the expulsion from the traditional "Garden of Eden." As they determine the "coinage of the realm"; as they fix the content and conditions of issuance of the medium of exchange and standard of value which we call "money," it is possible for them, as every student of history knows, to visit the consequences of their fiscal and monetary mismanagement upon the people in the blind and furious penalties imposed by unbalanced budgets, inconvertible currencies, and monetized debt.

When the Federal Government fails to meet its current outgo by current income (as in 17 of the last 20 years) the gap between demand for commodities and supply of commodities is potentially widened by this much. Government deficits, as evidenced by the towering Federal debt, give rise to no corresponding increase in the goods and services which people demand and for which they will part with their money. This must obviously be so when, as in time of total war or wholehearted preparation for defense, the bulk of government activity and expenditure is for armies, wings, ships, and armaments. The inflationary "gap" widens even further when government obligations—instead of being bought, paid for and held by genuine investors, who limit their current purchases to effect the necessary savings—are issued under terms relatively unattractive to such investors, and are assured of ready and immediate lodgement in the country's banks.

The inflationary potential becomes explosive when these government debts are not only thus converted into circulating currency, but are purchased by the Federal Reserve Banks and transformed thereby into Federal Reserve notes, or into the fundamental reserves of the member banks, upon which an expansion of credit can be built limited only by the reserve requirements imposed upon the so-called commercial banks of the country.

It is a sobering thought, indeed, that out of every thousand dollars in "gold certificates" held by Federal Reserve Banks, plus every three thousand dollars of Federal debt owned by these central banks (when used to create member bank reserves by increasing their deposits with the Reserve Banks) can arise some $20,000 of bank deposits subject to circulation by check, under the existing reserve requirements of 14%, 20%, and 24% in "country banks," "reserve city banks," and "central reserve city banks" respectively against their demand deposits.

As long as our nation's currency was redeemable in gold there was a reasonable limit to which the expansion of money could go beyond its solid base of metal and of physical productivity, as represented in the commercial paper defined as eligible for backing of Federal Reserve notes, bank reserves, and bank deposits. Freed of its obligation to redeem dollars in gold at the nation's earlier parity, or even at the depreciated value of $35 to the ounce, set by Congress and the President in 1934, the United States Government escaped the control implicit in the people's historic right to demand gold, in performance of the contract, when fiscal management, budgetary chaos, or compounding debt might raise for them the danger signal. The dilution of the people's money could, and did, proceed in a number of ways, in illustration of which some four significant steps will now be briefly described.

1935 Supreme Court Decision

Let us refer *first* to the Supreme Court decisions given in February, 1935 concerning the constitutionality of the legislation of mid-1933, which, in abandoning the historic gold standard in the United States, abrogated the "gold clauses" in private as well as public contracts. These provisions were designed to protect lenders against impairment in the value of the money to which they were entitled upon payment of their claims, by binding the debtors to settle in gold, or in its equivalent in dollars at prevailing rates — in case any question existed, at time of maturity of the debt, about the currency's full redeemability at its stated gold content.

The Supreme Court by a "split vote" of five to four held that Federal constitutional power to regulate the value of money would be interfered with if the gold clauses in private contracts were made enforceable, and accordingly permitted their abrogation. Unanimously, however, the Court declared that the 1933 legislation was unconstitutional with respect to the obligations of the United States Government, whose gold clauses should still be considered binding. Nevertheless, the Court allowed no damages to the plaintiff until and unless loss could be shown clearly "in relation to buying power"; and no successful suits were brought in the six months interval beginning Aug. 27, 1935, during which Congress permitted certain categories of litigants to press such action against the government in the United States Court of Claims. Of course the substantial rise in domestic prices following abandonment of the gold standard occurred after this interval, but foreign owners of the bonds living in countries still holding to the gold standard were immediate losers, by this unilateral abrogation of its promises by our national government.

Direct Purchases From the Treasury

We should, *secondly*, take note of the fact that from the year 1933, shortly after abandonment of the convertible gold standard and before the Supreme Court decision cited above, the Federal Reserve Banks were given authority to purchase Federal obligations directly from the Treasury—a right hitherto not conferred upon them. Passed as an emergency measure, these amendments to the Federal Reserve Act provided that any obligations of the United States, or "fully guaranteed by the United States as to principal and interest" may be bought or sold "directly from or to the United States," with the present proviso that ". . . The aggregate amount of such obligations acquired directly from the United States which is held at any one time by the 12 Federal Reserve Banks shall not exceed $5,000,000,000.00." Though this was supposed to be emergency legislation, its life has been successively extended to July 1, 1952.

In view of the foregoing it is not surprising, as a *third* illustration, that Federal Reserve notes, which were originally intended to fluctuate in outstanding volume with the actual needs of commerce and industry, and were therefore backed by eligible self-liquidating paper arising from and reflecting these needs, can now be issued to the Reserve Banks for circulation, according to a June, 1945 amendment to the Reserve Act, with as much as 75% in a cover of government bonds behind them. The hardening of our monetary arteries involved in this process can well be imagined by reference to the almost continuous and huge increase in the Federal debt since the thirties, when this conversion of government debt into circulating notes began.

Reserve Reduction

As a *fourth* sidelight on the possibilities of progressive deterioration in the backing of the nation's money, we might note that the ratio of required minimum reserves for the Federal Reserve Banks was reduced in 1945 from 35% against their deposit liabilities and 40% against their note liabilities to 25% against both. These reserves, let it be borne in mind, are in "gold certificates," which are only redeemable as the government may stipulate against gold actually impounded by the Treasury. The point is not that 25% is too low; in fact this would prove ample under conditions inspiring full confidence. The point is that as neither circulating currency nor "gold certificates" are fully redeemable in gold, directly or indirectly, at the option of their owners, there is no effective barrier to further drastic reductions in minimum gold reserves, as long as these reserves cannot be completely activated by reason of the Federal laws which deny to Americans the right to possess or trade in monetary gold.

What lies behind the progressive sapping of the dollar's strength can now be illustrated by taking a look at the changing sources of our money supply, that is, all bank deposits and all currency in tills and pockets, during the last quarter-century. In June, 1926, for instance, the money supply of the American people, less than $51 billion, arose largely from the peacetime needs of trade and industry. Over four-fifths of the dollars then exerting their power in the market places came out of loans, discounts and investments in private securities by the nation's banks, mostly evidencing goods and services competing for these dollars.

Just before the Korean war broke upon us more than 50% of the 173½ billion depreciated dollar money supply arose from the purchase of United States government bonds by Federal Reserve and other banks. These bonds, thus converted into money, put their tremendous push behind demands upon production and trade; but as they represent deficits in Federal spending they add little to the supply of goods and services available in the market. This contemporary process whereby large debts incurred by government are cumulatively converted into purchasing power for the people threatens to step up its pace as we move toward a war economy. No medieval alchemy ever made greater claims of producing something out of nothing.

How money is fashioned out of deficits is seen in a different set

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*An address by Dr. Robinson before Conference on the Monetary, Fiscal and Credit Policies of the United States in the Present World Crisis, under the auspices of the Economists' National Committee on Monetary Policy, Washington, May 10, 1951.

The Role of Credit Control In a Defense Economy

By WILLIAM McCHESNEY MARTIN, JR.*
Chairman, Board of Governors, Federal Reserve System

New Reserve Board Chairman, asserting recent record clearly demonstrates thorough credit restraint measures are necessary, asks for continued authority to regulate consumer, real estate and miscellaneous credit transactions. Stresses further need for restraints on inflation, with particular emphasis on the importance of curtailment of new loans through the Voluntary Credit Restraint Program. Indicates Board's general policy toward Government Bond market.

I appreciate this opportunity to present to you the views of the Board of Governors of the Federal Reserve System with respect to the responsibilities placed upon or delegated to the Federal Reserve System under the Defense Production Act of 1950. The Board is strongly of the opinion that these provisions of the Act should be continued.

W. McC. Martin, Jr.

As has been repeatedly emphasized before this and other committees of the Congress primary reliance must be placed on fiscal, credit, and monetary measures in combating inflationary forces inevitably generated by the expanding defense effort. It is hardly necessary to emphasize that the forces creating upward pressures on prices are likely to continue dominant in the economy even though these pressures may appear temporarily to have been moderated. Nor is it necessary to recount again the many circumstances and factors which have combined to produce grave inflationary dangers, or the preventive and precautionary steps already taken to safeguard the economy. On behalf of the Board I therefore shall address myself particularly to those provisions of the Act with which we have been directly concerned. These provisions deal with certain supplementary rather than primary credit restrictions as well as with the so-called V-loan program to aid the defense effort.

It is important to emphasize that the marked advances in prices and the exceptionally large increase in bank and other credit that have taken place up to the present time reflect mainly expansion in private expenditures. The full effects of expansion of defense activities are still to be felt. While expenditures for defense purposes have doubled since last summer as yet they account for only about 10% of total output. Moreover, they have thus far been met out of growing government revenues and no new Federal borrowing has been needed. However, Federal expenditures for defense and related activities are scheduled to rise sharply and may account for as much as 20% of total output within a year. This is the overriding consideration for national stabilization policy. If inflationary trends are to be held in check, public policy will need to limit private spending, especially such spending as is financed by borrowing or by the use of past savings. This is a time for saving, not spending.

Role of Credit Restraint

Credit expansion has financed a substantial share of the increased consumer and business spending since June, 1950. Without the restraints provided by the Defense Production Act the expansion in credit and upward price pressures undoubtedly would have been even greater. From the end of June, 1950, to the end of March outstanding loans and holdings of corporate and municipal securities by all banks increased by over $12 billion. This increase was almost as much as occurred in the two years 1947 and 1948 together and these were both years of rapid credit expansion and inflationary trends. Credit extended by other lenders to businesses, municipalities, and consumers also was in unprecedented volume.

Such credit was supplemented by drawing on liquid asset holdings. Between the end of June, 1950, and the end of March of this year, redemptions of savings bonds exceeded cash purchases by over a billion dollars, and savings accounts were reduced by close to three-quarters of a billion dollars. Reflecting the demand for and use of ready cash, demand deposits of businesses and individuals increased by over $7 billion in the last half of 1950 and showed only a moderate seasonal decline in the first quarter of 1951. The turnover or rate of use of these deposit balances rose sharply.

It has become increasingly evident during recent weeks that this acceleration of inflationary tendencies has been checked, temporarily at least. The prospects for getting inflation under control are now better than at any time since Korea. To succeed however, will require full and continued use of all of the credit measures now up for renewal in the Defense Production Act. It would be extremely unfortunate if any of the means we have been using to stem the inflationary tide should be allowed to lapse at this critical moment when they are achieving a considerable measure of success.

There are tangible evidences that the availability of bank reserves has been reduced, that banks have become more restrictive in their lending policies, and that the over-all expansion of bank credit has definitely slackened despite acceleration of lending to finance defense production. Further evidences of the effects of the various measures of monetary and credit restraint may be seen in the markets for consumer credit, mortgages, and new capital issues. Consumer instalment credit has ceased to grow. New commitments by insurance companies and savings banks to purchase mortgages have been reduced. Plans for issuance of some new securities have been withdrawn or postponed and others have had to be revised, although the total volume of new issues has continued very large.

The record of the past year has clearly demonstrated that selective measures of credit restraint are an effective and necessary supplement to general credit measures and at the same time are an important line of defense for the government securities market.

Continuing Authority to Regulate Consumer Credit

Regulation of consumer credit, reinstated last fall under authority of the Defense Production Act, has played an important part and as defense spending continues to expand should play an even more important part in the program to control inflationary forces. While consumer credit regulation alone cannot solve the problem of inflation, nevertheless, Regulation W, by establishing minimum downpayment requirements and maximum periods for repayment of consumer instalment debt, has effectively limited the expansion of consumer purchasing power in the form of credit dollars and is an essential part of any continuing comprehensive anti-inflationary program.

The terms initially established in September, 1950, after extensive consultation with trade groups, were only slightly more restrictive than the average terms prevailing in consumer markets in the period just preceding the regulation. In announcing them the Board indicated that further tightening might be in order as the magnitude of the defense program and resulting inflationary pressures become more evident. Some weeks later, after careful consideration of current and prospective developments not only in the consumer durable goods field but in the economy as a whole, the Board announced, effective Oct. 16, a more restrictive set of terms which has remained in effect since that time.

The regulation now provides that in buying an automobile on instalment a buyer must pay one-third down and repay the balance of his contract in not more than 15 months; for other durables such as washing machines and television sets, the minimum down payment requirement is 25%, and the maximum term allowed is also 15 months. More liberal terms are permitted for furniture and home repairs and improvements.

The present provisions of Regulation W are more lenient in some respects than those in effect during most of World War II. The regulation is also substantially less restrictive than the terms of similar regulations now in force in Canada, where the regulation of consumer credit is also included in the arsenal of anti-inflation weapons.

Under the present terms of Regulation W, the highly inflationary expansion of outstanding instalment credit has been stopped. In the six-month period October, 1950 through March, 1951, instalment credit outstanding declined by $364 million. This decline contrasts sharply with the increase of $2.3 billion in the preceding six months, and with the rise of $1.2 billion in the period October, 1949 to March, 1950.

Recently there has been some reduction in demand for consumer durable goods from the exceptionally large volume of December and January, although sales of most continue close to the high levels reached a year ago. Conditions in these markets are being watched closely and frequent consultations are being held with representatives of the industries and trades which have been affected. Even though inflationary pressures may temporarily be checked, a highly volatile demand situation is to be expected as long as the defense program and international developments play such a dominant role in the economy. Let me assure you that the Board is prepared either to tighten or to relax credit terms whenever such action would be consistent with the objectives of the Defense Production Act.

Regulation of Real Estate Credit

In the field of real estate credit, several important steps have been taken to check inflationary developments and conserve materials and other resources. Last July, prior to the passage of the Defense Production Act, the Federal Housing Administration and the Veterans Administration tightened the terms under which they would insure or guarantee mortgage loans, both on new and on existing properties. Since the passage of that act, further action has been taken to regulate real estate construction credit. The first step was the issuance, effective Oct. 12, of Regulation X by the Board and companion regulations by FHA and VA covering credit extended in connection with purchases of 1- to 2-family houses. The next was amendment of these regulations as of Jan. 12, 1951, to cover new multi-family units. Finally, another amendment to Regulation X, effective Feb. 15, covered loans in connection with certain nonresidential construction. At every stage in developing the regulations valuable advice and assistance has been sought and obtained from lenders, builders, and other private groups, as well as from public officials.

Under the terms of Regulation X and companion FHA regulations, mortgage loans on houses are limited to various percentages from 90% for houses valued at $5,000 or less to 50% for houses valued at over $24,250. With respect to loans guaranteed by the Veterans Administration, loan ratios 5 to 10 percentage points higher were authorized by the Housing Administrator to preserve the relative credit preference granted to veterans. At the time of their announcement the terms were widely regarded as being strict and likely to lead to sharp curtailment in the volume of residential building.

The effectiveness of the regulation was considerably limited at the outset by the large volume of building then under way and by the large volume of financing commitments outstanding. Thus, while construction activity and extensions of mortgage credit have continued at very high levels, the restrictions imposed have been important in helping to reduce the number of new units being started. During the winter months housing starts were equal to those a year earlier but were down more than seasonally from the extraordinary high level of last spring and summer. In March and April starts appear to have been about one-fifth below a year ago.

It now appears likely that under present regulations the effective demand for new houses will be less than in 1950 when a record total of 1,400,000 units were started. At the same time, with about 360,000 or 370,000 units started in the first four months of 1951, the total for the year will probably exceed the 800,000 to 850,000 units set as a target last October when the terms were first announced. Prospects for a smaller volume of construction this year together with recent high levels of production of most building materials have resulted in a leveling off of building material prices since the first of the year. Even so, these prices average about 20% higher than in the spring of 1950 and shortages of some metal items are rather widely reported.

To make restrictions of mortgage credit adequately effective, the authority over such credit needs to be extended to cover

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*A statement by Chairman Martin before the House and Senate Banking and Currency Committees, Washington, May 10-11, 1951.

Missouri Brevities

Sales and profits of **The May Department Stores Co.** (St. Louis) and its subsidiaries in the fiscal year ended Jan. 31, 1951 were the highest in the company's history, Morton J. May, President, reported. The consolidated net sales amounted to $416,689,345, an increase of $23,773,899 over the sales of $392,915,446 reported for the preceding year. Consolidated net earnings, after all charges including provision for income taxes and minority interests, were $21,371,351, equal after preferred dividends to $6.92 per share on the average number of common shares outstanding during the fiscal period. This compares with net in the previous year of $18,092,371 or $5.79 per share.

The stockholders of **The May Department Stores Co.,** at their deferred annual meeting scheduled to be held on June 5, will consider increasing the authorized common stock from 5,000,000 to 10,000,000 shares to effect a two-for-one split-up. The aggregate par value of the additional shares will be charged against additional paid-in capital and added to common stock capital. The stockholders will also vote on a proposed stock option plan for executives covering a maximum of 200,000 shares of the present common stock or 400,000 shares of the split stock.

* * *

The directors of **Missouri-Kansas-Texas RR. Co.** on May 11 authorized the payment of one coupon of the adjustment mortgage bonds, according to R. J. Morfa, Chairman of the Board. This coupon will become due and payable on June 1, 1951, and is No. 52, dated Oct. 1, 1948. D. V. Fraser, President of the road, pointed out that gross revenues for the first three months of 1951 increased $2,957,000 or 17%, while net income showed an increase of $335,000 or approximately 37%. "At the same time," Mr. Fraser said, "there is a leveling off in carload traffic due to a slowing up of movement of consumer goods primarily because of full inventories, and because of the change-over from civilian to military production. It is expected that the increasing trend will resume with the stepped-up defense requirements."

* * *

American Investment Co. of Illinois, St. Louis, has announced net income after income and excess profits taxes for the first quarter of 1951 of $1,013,311, as compared with $1,054,338 earned in the first quarter of 1950. This is equivalent to 50 cents per share on the common stock as compared to 52 cents per share for the first three months of 1950. Gross income from operations for the quarter ended March 31, 1951 amounted to $5,179,525 as compared with $4,186,228, while gross volume was $34,762,234 as against $25,188,824 for the 1950 period. The stockholders on May 14 approved a proposal to increase the authorized preference stock from 231,742 to 750,000 and the authorized common stock from 2,500,000 to 3,000,000 shares. Part of the increased shares will be used for the acquisition of the assets of Domestic Finance Corp., which controlling interest was recently acquired by **American Investment Co. of Illinois.**

* * *

April sales of **Western Auto Supply Co.**, Kansas City, were $10,883,000, a decrease of 2.1% from sales of $11,117,000 reported for the same month in 1950. Sales for the four months ended April 30, 1951 were $46,702,000, an increase of 21.6% over the sales of $38,402,000 reported for the same four months last year. Retail units in operation at the end of April were 265 this year compared with 267 a year before, while wholesale accounts were 2,579 against 2,480 at April 30, 1950.

* * *

The **St. Louis Public Service Co.** has been authorized by the Missouri P. S. Commission to borrow approximately $2,000,000 from the Mutual Life Insurance Co. of New York, and to use the proceeds thereof to help finance the purchase of 100 new buses costing about $2,200,000. The borrowing is to be evidenced by a 3½% note which will mature in quarterly instalments over a 10-year period, commencing Dec. 1, 1951.

* * *

Kansas City Power & Light Co. has applied to the Missouri P. S. Commission and the Federal Power Commission for authority to acquire control of Eastern Kansas Utilities, Inc., of Fort Scott, Kansas.

* * *

Dempsey-Tegeler & Co., St. Louis, are offering $800,000 first mortgage serial real estate bonds of De Paul Hospital, St. Louis (owned and operated by the Daughters of Charity of St. Vincent De Paul). The bonds, priced at 100 and accrued interest, will bear interest at the rates of 2½%, 2¾% and 3% and will mature semi-annually from Oct. 15, 1951 to and including April 15, 1961.

* * *

Trans World Airlines, Inc., St. Louis, for the quarter ended March 31, 1951, reported a net profit of $150,068, equal to 6 cents per share on the outstanding common stock. This compares with a deficit of $1,846,704 for the same period a year ago. Total revenues were $29,773,281, as against $21,235,162 a year earlier.

* * *

There have been called for redemption on June 4 $406,000 of first mortgage 30-year 4% bonds, series A, due Oct. 1, 1975, of **The Kansas City Southern Ry. Co.** at 101¾ and interest, and $163,000 of first mortgage 20-year 3⅝% bonds, series B, due June 1, 1968 of the same road at 101⅝ and interest. Payment will be made at The New York Trust Co., corporate trustee, in New York City.

* * *

Anheuser-Busch, Inc., St. Louis, for the quarter ended March 31, 1951 reported net income of $2,609,280, equal to 58 cents per share, as compared with $2,382,673, or 53 cents per share for the same period of last year. Net sales totaled $37,041,338, as against $30,997,132.

* * *

The **Empire District Electric Co.** directors have declared a dividend of 35 cents per share on the common stock, payable June 15 to holders of record June 1. This compares with 31 cents per share previously paid each quarter.

* * *

Interstate Bakeries Corp., Kansas City, reported sales for the 16 weeks ended April 21, 1951 of $20,304,502, an increase of $3,343,535 over the same period in 1950. Net income was $685,933, equal to 94 cents per share on the common stock, as against $700,508, or 96 cents per share a year ago.

* * *

McQuay-Norris Mfg. Co., St. Louis, for the first quarter of 1951 reported net earnings after the usual reserves and normal tax provisions of $373,770, compared to $9,920 in the same period of 1950. This was equal after preferred dividend requirements to $1 per common share on the 355,939 shares outstanding as of March 31, 1951, as compared with a deficit of two cents per share for the three months ended March 31, 1950. Sales for the 1951 quarter amounted to $5,996,288, against $3,433,970. A. J. Mummert, President, stated: "We do not believe the trend indicated by the first quarter operations can be expected to continue. There are a number of factors which could affect our sales volume and profit."

* * *

Kansas City Public Service Co. reported a net loss of $37,039 for the quarter ended March 31, 1951, as against a loss of $138,943 in the similar period of last year. Gross revenues were $2,952,536, compared with $3,025,938.

* * *

Kenneth A. Spencer, President of **Spencer Chemical Co.**, Kansas City, on May 7 announced that effective May 11, 1951 the voting trust would be terminated. One share of common stock will be issued in exchange for each voting trust share at The First National Bank of Kansas City.

* * *

Shenandoah - Dives Mining Co. in the first three months of 1951 earned a net of $85,917, before income taxes, compared with a loss of $41,626 for the same period last year. Because of losses in recent years, the company will benefit from tax carry-back credits.

Connecticut Brevities

Aetna Life Insurance Company has announced plans for a new addition to its home office building. The new wing would contain 132,000 square feet of floor space at a cost of about $3,500,000. The present building containing 698,000 square feet was built in 1931 when the company had 2,700 employees. While Aetna's premium income has increased from $132,000,000 at that time to $459,000,000 in 1950, employment has only increased to 3,300; but present facilities are overtaxed and the additional wing to house 750 employees is felt necessary.

* * *

Stanley Works has again offered shares of common stock to its employees. A total of 5,438 shares were made available for subscription up to May 16 at a price of $55.16 per share. Purchases were limited to 10% of 1950 earnings. Shares are to be paid for by weekly or monthly payroll deductions through May 31, 1952.

* * *

The proposed sale of the Union Bleachery Division, Greenville, South Carolina, to Concord Textile Company has not been consummated by **Aspinook Corp.** It is possible that the plant may be sold to others who had previously been interested in purchasing the properties. In recent months Aspinook has sold its Hampton Print Works and its Pacific Print Works.

* * *

A special meeting of stockholders of **Bigelow-Sanford Carpet Co.** has been called for June 18 to vote on a proposed consolidation with Bristol Mills, Inc., a wholly-owned subsidiary, which operates a woolen yarn spinning mill at Bristol, Va.

* * *

Bridgeport Brass announced at the annual stockholders meeting that several substantial government contracts had been received and that as a result defense orders amounted to over 20% of the total business. At the meeting stockholders approved a plan granting options to 35 officers and key employees to purchase 45,000 shares of stock at a price of 15¼ a share during a five-year period beginning May 1, 1951.

* * *

Stockholders of **Derby Gas & Electric Corp.** have approved an increase in the authorized number of common shares from 300,000 to 400,000. It was stated that there were no present plans for issuance of the additional stock. Previously the company had announced that its plans for construction and for conversion to natural gas would involve expenditure of about $1,000,000 during 1951 and 1952, which was expected to be financed by sale of debentures and common stock.

* * *

Electrolux Corp. has increased its short-term bank loans from $750,000 to $4,500,000 through renewal of the $750,000 due on Jan. 2, 1951, and an additional $3,750,000 borrowed during January and February. The loans are payable Dec. 31, 1951.

* * *

A substantial increase in the backlog of orders of **Electric Boat Company** was indicated at the annual stockholders meeting by the statement that orders were approximately double the $91,260,000 reported at the year-end. At the meeting an increase in the number of authorized common shares from 1,000,000 to 1,100,000 was approved and a restricted stock option plan was approved permitting sale of stock to officers and employees in an amount not exceeding 10% of the shares outstanding.

* * *

New Britain Machine was among the companies recently receiving substantial orders from the General Services Administration. The Lucas Machine Division has received an order for $1,945,000 worth of machine tools.

* * *

New Haven Pulp & Board has offered stockholders of Bartgis Brothers Co., a subsidiary, one share of common for each three shares of Bartgis. The offer will expire June 29. Through the exchange agent, First National Bank & Trust Co., New Haven, shareholders will be able to dispose of fractional shares or complete purchase of full shares of New Haven Pulp & Board at a rate of $21 per share. The purpose of the offer is to obtain 100% stock control of Bartgis and for working capital.

* * *

Torrington Company has received a certificate of necessity permitting it to amortize within a 60 months' period 80% of the $1,645,098 to be expended on facilities to produce antifriction bearings.

Robt. R. Harmon With Eastman, Dillon Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert R. Harmon has become associated with Eastman, Dillon & Co., 135 South La Salle Street. He was formerly with Rodman & Linn and prior thereto was for many years with Shields & Company, both in Chicago and Texas.

D. W. Claus in Fla.

(Special to THE FINANCIAL CHRONICLE)

CLERMONT, Fla.—DeVere W. Claus is representing Victor D. Strivings & Co. in Florida. Mr. Claus has been with the firm for some time and was formerly manager of the Utica, N. Y. office.

A Tight Electric Power Situation in Prospect!

By C. B. McMANUS*

Administrator, Defense Electric Power Administration, Department of the Interior

After describing impact of defense program on power needs, veteran utility executive and head of Defense Electric Power Administration, predicts by 1953 electric generating capacity will be increased by 27 million kilowatts. Says, despite this doubling of normal growth, power situation will be tight, particularly in Pacific Northwest. Finds problem is obtaining materials and major equipment, and urges electric power companies cooperate in keeping expansion programs on schedule.

Our job in the Defense Electric Power Administration is to analyze the power needs of the country to make sure those needs will be cared for by an adequate power program, to implement the program with necessary materials, and to provide incentives where needed.

C. B. McManus

Our first responsibility is to tailor our program to fit the over-all defense program. Mr. Charles E. Wilson, Director of the Office of Defense Mobilization, in his report to the President entitled "Building America's Might" stated: "At the peak of World War II, 45% of the gross national production went for national defense. The proportion is now 8%, and by the end of 1951 will be about 15%. As we now foresee it, the defense program, at its height, will not require more than 20% of the gross national production."

This program has been described as one of "guns and butter." It is a defense economy, superimposed on a very substantial civilian economy.

In his report to the President, Mr. Wilson further states: "With the fullest degree of drive and unity, we can do this job by 1953. By that date, our readiness to enter upon total mobilization should be sufficient; and production, in addition to meeting current military needs, should support a civilian economy at or above pre-Korean levels."

It is the job of the power suppliers of this country to implement that program. I want to report to you today that we in DEPA have analyzed the power expansion program of this country as it is now planned through '53, and it is our opinion that the planning has been good with relation to total requirements as we now know them. At this point, I want to emphasize that to date, most of this program is in the planning stage. Our big responsibility is to make sure that the plans become realities and that the equipment goes in on schedule.

The quickest way to explain the impact of the defense program on the power needs of this country, is to tell you that we now expect to have by the end of 1951, the same total load in this country as we expected we would have by 1953. By 1953, we expect to have 12 million kilowatts more in total load in the United States than we expected in our planning before Korea.

Proposed Increase in Electric Power

In 1948, '49, and '50, we increased the electric generating capability in this country by approximately 17½ million kilowatts. The power program, as now planned, contemplates increasing the electric generating capability in '51, '52 and '53 by a total of 27 million kilowatts.

The electrical load of this country has been growing at a rate of 6% a year for several years. We now expect that load growth over the next three years will be approximately 12% per year — or double normal load growth.

Even with this power expansion program, as planned, the power supply situation will generally be tight in 1951 and '52 even if installations are made on schedule. By 1953, the general picture will be improved, and minimum reserves should be available unless unforeseen loads develop. Loads can, as you well know, develop faster than we can build the generating plants to supply them.

These general statements about the power supply situation obscure the fact that certain regions will be particularly in short supply. The Pacific Northwest is the No. 1 shortage area. The expectation is that this condition will not be substantially improved until some of the major hydro projects come in. This means that there will probably be no relief through '53. The Southeast Region will also be very tight. However, it has the advantage of being surrounded by other areas from which we assume assistance will be available. By 1953, we expect that conditions in the Southeast Region will be improved.

We get our power supply and load information from the coordinators which have been established in the various power regions of this country. We are receiving excellent cooperation from these people, and I want to urge all of you here to furnish the information to your regional groups as requested because that is the only way that we can do the overall job required of us.

DEPA is dedicated to the job of keeping the power program, as planned, on schedule. This means close attention to material requirements.

Heart of Power Program

The heart of the power program is the production of major power units, the turbines, generators, transformers, switchgear, et cetera. The manufacturers of this equipment look to the NPA Engine and Turbine Division and the Electrical Division for assistance in getting materials. Fortunately, this assistance has been forthcoming. While there are trouble spots, such as boiler tubes at the minute, nevertheless, the equipment program is generally proceeding on a satisfactory basis. We have excellent cooperation between DEPA and these two equipment divisions in NPA. This is important because as the program develops, it will be necessary to do a substantial amount of coordinating in order to bring the equipment through on the proper time sequence. We are now reviewing Order Boards for this purpose.

DEPA has the responsibility of getting critical materials for direct use by the electric power industry. I want to tell you briefly what we have done on aluminum, copper and steel for the second quarter of 1951.

In the case of aluminum conductor, we found that during the second quarter of 1951, our industry would need 50% more than it used in the same period in 1950. We asked for 53½ million pounds of aluminum, and after considerable negotiation, we got 49 million pounds for the second quarter. This was 91% of our needs. This allotment was backed up by a set-aside of aluminum. As a result, we have been able to approve most of the essential major projects requiring deliveries of aluminum conductor during the second quarter. Minor requirements are being supplied on an 80% basis. Part of our allotment is being used to supply aluminum conductor accessories.

Our copper requirements were only slightly greater for the second quarter than they were in the same period in 1950. We asked for 111 million pounds of copper, and we got 92 million pounds, which is 85% of our needs. Minor project use is on a 75% basis and major products are being approved in accordance with their essentiality.

Our steel requirements for the second quarter of 1951 were 80% greater than in the same period in 1950. We asked for 98 thousand tons of steel for May and for June. We received an allotment of 90 thousand tons for each of these months. This is 91% of our needs. Steel for major projects has been approved on the basis of essentiality. Steel for minor requirements is not on a self-administering basis as are copper and aluminum. Assistance is provided on an individual-request basis.

We now are working on our material requirements for the third quarter. As you know, the CMP plan is scheduled to become effective on July 1. This plan worked well in World War II. We expect that it will be equally effective this time. We do not now know what material allotments will be available to us.

Outlook for Materials

In the President's Special Message to Congress recommending the Two-Year Extension of the Defense Production Act, he stated: "Since June 1950, the government has placed orders for planes, tanks, guns and other military equipment facilities and supplies in the amount of over $26 billion. As yet, only a small portion of these orders have been filled and the goods delivered. Furthermore, over $58 billion more in orders have yet to be placed before the end of June, 1952." And the President further stated that: "For the next year at least, it is obvious that controls over materials will have to become tighter and tighter as more and more of them will be diverted to essential production."

I think it is obvious that as the defense program begins to chew up more and more of the critical materials, the job of getting the essential needs for the power program will become more and more difficult. Fortunately, expansions are under way. The aluminum industry is undergoing an expansion program which, by the end of 1952, will add roughly 60% to the primary capacity existing in June, 1950. Current plans for the steel industry call for capacity of 117 million tons by early 1953. This is 22 million tons more than at the peak of World War II. Plans for the expansion of copper supply are directed at boosting production in foreign countries and where possible, opening new deposits in the United States. Increases from these sources will not be felt for the most part until after 1951 and not then from foreign sources, unless the tariff is removed.

The program which I have described to you on major equipment and on the utilities' direct requirements for copper, aluminum and steel, do not provide assistance on such things as fans, pumps, motors, coal-handling equipment, etc., which are essential to the construction of electric generating stations. To help in this area, we give expediting assistance after the purchaser has exhausted all normal means of getting the equipment on time.

In addition, we, in DEPA, have been very conscious of the special MRO and inventory problems of the power business.

Priority Program

As a result of excellent cooperation with NPA, we have obtained Electric Utilities' Order M-50 which does three major things: it sets up the procedures for handling priority assistance on program materials; makes special MRO provisions, and provides for inventory controls which are designed for our business. All of this is under DEPA's direct supervision, which means that you can deal with people who understand your problems.

In World War II, we had what was known as "project approval." This meant that once a project was approved, you had priority assistance for all of the component parts. At the present time, we do not have this type of approval. In certain very urgent situations, we have been able to obtain this type of assistance. The TVA Shawnee Plant and the Electric Energy Inc. Joppa Plant were given project priorities. In addition, we have equipped priority assistance of this type for urgent projects in the Pacific Northwest. We do not at this time have any reason to believe that project approval will soon be available on a general basis for our industry.

To carry out DEPA's responsibilities, we have built a compact, well-trained organization. We have had the assistance of people who had experience in the Office of War Utilities in World War II. Our staff includes representatives from all branches of the industry. We have 24 people from private utilities, 11 from municipal, Federal and REA, and we have people who have come to us from the Federal Power Commission, Securities and Exchange Commission, the Army, the Navy and other branches of the government. We have various departments handling such things as major projects, MRO appeals under M-50, expediting electric utility orders, etc. I will be glad to give you the names and telephone numbers and room numbers of our various department heads specializing in these activities so that it will be easy for you to contact us.

We are informing the industry of our activities by various news releases, close contact with the trade press, direct contact with more than 3,000 electric suppliers and by appearing before various industry groups.

In conclusion, I want again to call your attention to the urgent necessity for keeping the power programs on schedule. We are involved in the greatest expansion in the history of our business. It is a task that will bring many critical problems and will, I presume, at times, stagger all of us, but it is a job that must be done if the power needs of this country are to be met. You may be sure that DEPA will only be able to do its part if it gets from you and from the rest of the industry complete and unselfish support.

*An address by Mr. McManus before the American Public Power Association Convention, Chattanooga, Tenn., May 7, 1951.

Transportation and the Investor

By WALTER M. W. SPLAWN*
Chairman, Interstate Commerce Commission

Mr. Splawn delves into history of U. S. rail transportation and points out methods of financing in which capital was supplied by investors, savings banks, and government. Cites severe tests of railroads under growing competitive conditions, and concludes, despite adversities, railroad securities are still regarded highly by investors.

When the first settlers from western Europe disembarked to establish colonies on the Atlantic seaboard there were, it is estimated, about one-half million people in the vast territory now known as the United States. Anthropologists tell us that the population had been about one-half million for some four centuries. That is to say, for 400 years the population had been up to the saturation point. Their economy would support no more. Transport was on foot or in small primitive canoes.

W. M. W. Splawn

In contrast to these scattered bands or tribes living under primitive conditions, we now have them replaced by 150 millions of people enjoying great comfort and luxury. What has made the difference between an economy that would support only one-half million and an economy which is supporting 300 times as many and is capable of much more? Among the answers one of the most important is capital. Capital is saved and made available by the investor. Millions of depositors of savings banks supply much of the savings. The banks furnish the "know-how" and make the investments.

A large share of investments is devoted to the production and distribution of goods. Modern transportation is an indispensable aid in all such production and distribution, making available economic goods and services anywhere wanted and demanded. The immigrants from western Europe brought domestic animals. These early immigrants knew how to build carts, wagons and boats. With their main reliance on domestic animals and crude water craft, they rather rapidly occupied the country between the ocean and the Alleghany Mountains. In time plans were made to connect the Hudson River with the Great Lakes via canal. Other canals of less strategic importance were projected or built, particularly in Pennsylvania, in Maryland, and in Ohio.

To obtain the capital for the canal construction it was necessary for the new State governments greatly to extend their credit. Public credit was also used to encourage construction of toll roads. When President Jefferson successfully negotiated the Louisiana Purchase he confidently prophesied that there was now enough land to care for settlers westward bound for 1,000 years. In an economy based upon coastwise river and canal water transport, supplemented by toll roads for horse drawn vehicles, his prophecy appeared well founded.

When the first railroad was built about 125 years ago it was thought that the railroad would supplement water transport and furnish gathering lines for the ports. By 1850 it was apparent that the railroad could be built ahead of the traffic to open up unsettled and new territory. Then came the great demand for capital with which to build railroads in this new and growing republic. Fortunately there were those in western Europe who were thrifty and who had saved and were willing to lend. Generous grants of land from the Federal government enabled the new railroad companies to offer bonds which in some instances were sufficiently attractive to European investors without any government guarantee and which in other instances were supplemented by the credit of the government. Sometimes government aid was through the action of a State or a municipality. In other instances it was by the Federal government itself.

After a half century of promotion and building well ahead of the traffic, after receiverships and reorganizations inevitable from over-expansion ahead of the development of traffic, the States, and eventually in 1920 the Federal government, enacted statutes regulating the issue of securities by transport companies. As the country developed and the traffic grew sufficient to support the carriers, railroad bonds came to be looked upon as exceptionally safe for those seeking sound investments and railroad stocks came to be regarded as less speculative and more in the character of dependable securities which would yield dividends satisfactory to the investor, with some margin as a reward against the risks that remained. With the long period of see-saw between panic and depression, recovery and boom, investors regarded railroad bonds as peculiarly attractive for the periods of depression and recovery, and the railroad stocks as a satisfactory hedge against inflation during the years of over-expansion and boom.

Railroads and World War I

World War I disclosed that our railroads were in many ways underdeveloped and inadequate to handle the traffic which would likely be offered to them within the next two or three decades. In the Transportation Act of 1920, as subsequently amended, a policy was established of maintaining the earnings of railroads to the end that they might furnish transportation adequate to the traffic and necessary to the defense of the country. Under this policy the railroads were rapidly rebuilt, their equipment modernized, and through routes were established in every direction. This capital consisting of billions invested largely in bonds was furnished in the main by American investors. Many of these investors were savings banks. These highly useful banking institutions, through the inducement of interest regularly paid, encouraged savings, frequently in very small sums, which were reinvested by the banks in good securities. It is most significant that the savings banks in the 1920's turned to the railroads with such confidence. During this same decade government aid was largely utilized to canalize the inland rivers, to open canals along the coast, and to aid in building highways.

By the early 1930's it was apparent that there was more transportation available than the traffic would support. When I appeared before this association 13 years ago, the savings banks were deliberately withdrawing from the railroad field. They seemed to be convinced that there was more competition than the railroads would be able to meet. Many of the railway reorganizations were made on the assumption that traffic for a long time would not be much more than it had been in previous years.

Rails Subjected to Severe Tests

During the past 10 years the railroads have been subjected to severe tests. When submarines destroyed the coastwise traffic or blocked its uses, when increase for defense activities utilized to so large an extent the vehicles on the highways and on the inland waterways, the railroads through improved methods of operation and economies made possible through additional investments successfully met the new demands upon them. In spite of the wars and all the wastes and losses incident thereto, the economy of the United States has expanded; domestic production of goods has far outrun the increase in population; and the standard of living has been improved far beyond the most sanguine dreams of 20 years ago.

In 1938 we were in the midst of undue competition for traffic inadequate to support existing means of transport.

I then said to you: "What we immediately need is not more transportation but more things of use which would naturally be moved on our railroads, highways, and by other means."

I further said: "If in the next few years we keep our railroads in good condition, and find a way of doing justice in the regulation of all carriers—private and public — we will have conserved our great railway plant for the time when the productive genius of the American people will create tonnage to utilize it to its full capacity."

In 1938 the member banks of this Association had more than $1,000,000,000 of railroad bonds. I then asked, under what conditions you would invest further in railroad bonds, and made the following observation: "When you are assured that the earnings of the railroads are stable and adequate, you will place the savings of millions of people entrusted to you in this form of security."

During the late thirties and early forties the savings banks continued to withdraw from railway investments. Now I am advised they are coming back into the railway field and their investments are rapidly approaching $1,000,000,000.

Thirteen years ago it was thought that the increase in the production of goods might be relatively slow. Owing to conditions which could not be foreseen this development has been surprisingly rapid. Just how rapid may well be illustrated by the growth and development of transportation in our country since 1938. In this illustration I shall make use of ton miles. As you know, a ton of freight moved one mile is a ton mile.

If we speak of transportation in terms of ton miles, we may say that now about one-half of all ton miles is railroad, and another half divided among carriers by water, highway, pipe line, and air. Or, if we exclude coastwise and intercoastal transportation by water the intercity ton miles are divided about three-fifths by rail and two-fifths by other agencies. During the past few months there have been many complaints of car shortages and much discussion of our needs for more facilities to carry the traffic currently offered. And yet during these very recent months when the need for

Continued on page 37

*An address by Commissioner Splawn before the 31st Annual Conference of the National Association of Mutual Savings Banks, Atlantic City, N. J., May 9, 1951.

The Treasury, the Federal Reserve, and a Stable Currency

By J. H. FROST*
Chairman, Frost National Bank, San Antonio, Texas

After discussing functions of Treasury Department and the Federal Reserve System, prominent Texas banker points out that Congress has never interfered with independence of Federal Reserve and, therefore, there was no requirement that Treasury bonds be pegged at fixed rate. Advocates as program to save our monetary system: (1) gradual withdrawal of all support for government bond market; (2) gradual reduction of Federal Reserve notes secured by government bonds; (3) abandonment of an inflation policy imposed by "Employment Act of 1946," and, finally, return to gold standard system.

In trying to form a correct judgment with regard to the general subject of what the respective roles of the Treasury and the Federal Reserve System should be with respect to the government bond market, I think that we can probably all agree that the first thing to do is to form some opinion of what are the proper functions and responsibilities of government treasury departments in general, and what are the proper functions and responsibilities of Central Banks in general. Then we will be in a better position to form a more nearly correct estimate of what are the obligations of the United States Secretary of the Treasury and of the Federal Reserve System in the present circumstances.

J. H. Frost

I have not been able to find very extensive material outlining the responsibility of government treasuries in general, or of the United States Secretary of the Treasury in particular. In this country the Secretary of the Treasury is, of course, appointed by the President and is a member of the Cabinet, so that it follows naturally that he is obligated to carry out in his department the general policies which may be decided upon by the Administration in power. If the policies of the Administration, after being fully informed of his views, should become such that he cannot carry them out in good faith without feeling that he is being stultified, the proper course for him to follow would be to resign his post. However, if he does not resign, but continues in office and fails to carry out the policies of the Administration, he undoubtedly would be dismissed by the President. Possibly for the purposes of this discussion, it will suffice for me to say that my own understanding in general is that he has the responsibility, with the approval of the President, of informing and advising Congress with regard to the appropriate methods of raising, through taxation, the funds necessary to carry out the normal activities of the various departments of government, and to raise, by sale of appropriate government securities, such additional funds as Congress may appropriate above those provided by taxation. The Secretary of the Treasury has no right, either expressed or implied, to issue any fiduciary or fiat money of any kind. All the money he can obtain must be through the collection of taxes or borrowing, either or both of which must be authorized by Congress. It seems to me, therefore, that it would probably be impossible for the Treasury Department to bring about a currency inflation through any legal powers now inherent in that office.

Functions of Central Banks

Now, let us consider the question of Central Banks in general, and then the Federal Reserve System in particular. There are, of course, many very excellent volumes published on the subject of Central Banking, but I think that the book by Kisch & Elkin, published in England in 1932, is regarded by economists as at least one of the recognized authorities on the subject. On the second page of the introductory chapter of that book, in discussing the establishment and reorganization of Central Banks in most of the civilized countries of the world after the ravages of World War I, it is stated: "In most of these cases, the establishment or reorganization of the Central Bank was part of a scheme for the stabilization of the currency and the prevention of inflation." On page 6 it is stated: "Monetary policy should be independent of political contingencies, and the surest way to secure this result is to place the control of the note issue in the hands of a bank." On page 16: "The Central Bank, through its discount policy and the subsequent actions on credit, gold reserves and note issues, controls the amount of purchasing power available, and is thus responsible for safeguarding the currency standard established by law." Page 20: "It is essential that it's" (the Bank's) "direction should be as unbiased as is humanly practicable, and as continuous as possible. But clearly, if the Bank is under State control, continuity of policy cannot be guaranteed with changing governments" (administrations), "nor can freedom from political bias in its administration be assured." Speaking of the excessive note issues of the Central Bank in France from 1923 to 1926, which brought about the great currency depreciation, it states on page 22: "Such extreme abuses of government power are, of course, only possible when a country has ceased to be on a gold basis." Again, page 35: "The temptation to the State to intervene in the affairs of the Central Bank is diminished if the accommodation which the Bank may give to the State is limited."

I hope these quotations may indicate to you that, in general, a Central Bank properly conceived should be regarded not as a "department" of government but as a public trust (nonpartisan and not representing the Administration which happens to be in power) and charged primarily and principally with the responsibility of maintaining the integrity and solvency of the circulating medium of exchange.

The Federal Reserve System

Now that we have considered what are the proper objectives of Central Banks in general, and cer-

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*An address by Mr. Frost before the Conference of the Economists' National Committee on Monetary Policy, Washington, D. C., May 10, 1951.

Diversifying Securities in the Bank's Investment Portfolio

By FALKNER C. BROACH*
Vice-President, National Bank of Tulsa, Tulsa, Oklahoma

Mid-western banker discusses nature and functions of investment portfolio of commercial banks, and contends that for both secondary reserve and more permanent investment purposes, there is a very definite place for securities other than Governments. Points out, however, in view of high income and excess profits taxes, it is profitable and even preferable for most banks to restrict holdings, other than Governments, to tax-exempt municipals.

My subject—which, incidentally, was assigned me and was not of my choosing—is "Securities Other Than U. S. Governments in the Bank's Investment Portfolio." In discussing this subject with you I propose that we first consider just what it is that the investment portfolio is supposed to do for the bank—why it is that we have investment accounts—and having agreed on this, maybe we can arrive at some general conclusions regarding the proper place of other securities in the portfolio.

Falkner C. Broach

In my opinion, the primary function of the commercial bank's investment account—and what I shall have to say will be applicable primarily to commercial banks as distinguished from savings banks—is to serve as a secondary reserve. The requirements of a secondary reserve are that it be susceptible of expansion and contraction to meet the fluctuations in deposits and/or loan demands and, in the case of contraction, that this be accomplished at little or no loss of principal. In other words, the secondary reserve should serve as a bellows, expanding as deposits increase or loans decrease and contracting as loans increase or deposits decrease. Obviously, the first essential of securities qualifying for the secondary reserve is liquidity and liquidity at little or no loss of principal. Considerations of income should be entirely secondary.

The size of the secondary reserve will be determined by a number of factors. Probably the first determinant will be the size of the primary reserve. Here I would more or less exclude required reserves which are pretty well frozen and include only correspondent balances. Obviously, if loan demands and deposit losses are to be hedged by maintaining excessive correspondent balances the secondary reserve becomes less important, but I for one, while favoring the maintenance of adequate and compensating balances with correspondents, do not favor the maintenance of excessive balances. I much prefer to put these funds to work for our own account. Thus for the most part I look upon the secondary reserve, as distinguished from correspondent bank balances, as the medium to take care of deposit and loan fluctuations. This means that the secondary reserve, both in size and composition, has to be determined largely on the basis of the outlook for deposits and loans.

For most banks I think there will remain a balance available for investment in securities, as distinguished from loans and discounts, after the requirements of the secondary reserve have been met, and fully met. I feel that the secondary reserve should be adequate for practically all contingencies; but for most banks there will remain a balance available for investment in securities, and such investments need not be limited to the type of securities essential for the secondary reserve. Stated another way, I feel that after the requirements of the secondary reserve have been met, and with a good margin of safety to spare, the remainder of the investment account logically can be looked upon as a more permanent investment where greater emphasis can be placed on income and somewhat less on liquidity.

Thus I feel that the investment account should be looked upon as two more or less separate accounts, one to serve as a secondary reserve and the other as a more permanent investment account. In the case of the secondary reserve the emphasis should be on quality and liquidity with considerations of income entirely secondary. In the more permanent investment account greater emphasis can be placed on income, but here again quality should be stressed and the risk of capital should not be overlooked nor ignored.

A Place for Securities Other Than Governments

In both the secondary reserve and the more permanent investment account I feel that there is a very definite place for securities other than governments.

While the essential requirements of the securities qualifying for the secondary reserve are, as I have stated, quality plus liquidity at little or no sacrifice of principal, these requirements do not exclude securities other than governments. High grade municipals, top credit equipment trust certificates, and the obligations of various governmental instrumentalities, such as the Federal Intermediate Credit Banks, Federal Home Loan Banks and Federal Land Banks, will meet the quality requirements of the secondary reserve. But how about the liquidity requirements? Admittedly such securities as I have mentioned do not enjoy markets comparable to short-term governments. On the other hand there are two kinds of liquidity—liquidity through marketability and liquidity through maturity—and of the two the latter is the more certain. Staggered maturities of such issues as I have mentioned will afford a high degree of liquidity through maturity, and, if supplemented by short-term governments affording liquidity through marketability, logically are entitled, in my opinion, to be included in the secondary reserve.

As there is no credit risk involved in the purchase of governments and as marketability is of the highest, about the only reason for the purchase of other securities is to obtain a higher yield. High grade equipment trust certificates and the obligations of various governmental instrumentalities ordinarily will afford a better yield than that obtainable on governments of comparable maturity, thus justifying their purchase and inclusion as part of the secondary reserve. Such securities may also be used to good advantage to meet seasonal deposit fluctuations and/or loan demands. In the case of a bank, for instance, that experiences an increased demand for loans and a decline in deposits in the Spring, such securities as I have mentioned can be purchased to mature in the Spring and thus furnish the desired degree of liquidity to meet these demands. Certainly excess cash earning no income need not be carried to meet these demands, nor is it necessary that any investment be limited to governments if other dollar-good securities maturing at the time of the anticipated demands, and yielding more than governments, can be acquired.

Liquidity and Marketability

The point I am trying to make is that while the function of the secondary reserve is to expand and contract in offset to the expansion and contraction of deposits and loans, it is not necessary that the liquidity requirements of the secondary reserve be met entirely through marketability. To a very considerable extent the necessary degree of liquidity can be acquired through maturity, and such liquidity is an attribute of short-term high grade securities other than governments about as much as it is of governments. These other securities must be high grade and short-term to guarantee the necessary degree of liquidity through maturity that is essential, but if they are high grade and short-term there is a definite place in the secondary reserve for them.

Turning now to the more permanent portion of the investment account, as distinguished from the secondary reserve, I feel that here, too, there is a place for securities other than governments. In this portion of the account greater emphasis can be placed on income and somewhat less on maturity and liquidity, but in my opinion there should be no lowering of quality. I feel that for the most part credit risks should be confined to the note case, which means that only the highest grade securities should be purchased either for the secondary reserve or for the more permanent investment account. For all practical purposes I therefore would limit purchases of other securities for the more permanent investment account to the same classes I have mentioned for the secondary reserve but with some extension of maturities. In fact, I am not sure but that quality requirements should be even greater, for where there may be little questioning of a credit if the maturity is only one or two years, it becomes a different matter if the maturity is five or ten years. While I am willing to buy for our own account certain one- and two-year maturities on the theory that the credit is good for that length of time, I will not buy the five- and ten-year maturities of the same obligor because I am not sure of the credit for five or ten years. Maturity extension involves not only a greater market risk but a greater credit risk, and while the former generally is realized the latter often is overlooked.

No Formula for Investment Account

Obviously, no cut-and-dried formulae can be laid down as to just what securities, what maturities and in what amounts other securities should be purchased for the investment account. Nevertheless, certain minimum requirements which these other securities should meet, if they are to be purchased in preference to governments, can be laid down. The first is an adequate increase in yield over governments of comparable maturity to justify the sacrifice of marketability and the credit risk. As I have tried to stress, the credit risk should be held to a minimum, but even so some degree of credit risk is involved in the purchase of any security other than a government, and this should be compensated for through a higher yield. With the extension of maturity a greater credit risk is involved so that, as I see it, the yield compensation should be greater as the maturity is extended. Just what the compensation should be is a matter for individual determination, but definitely there should be compensation. The second requirement, which really is part of the first, is that the credit risk be held to a minimum. For practical purposes this pretty well reduces the list of other securities, so far as I am concerned, to high grade municipals, governmental instrumentalities and high grade railroad equipment trust certificates. There undoubtedly are those who would include high grade rail, public utility and industrial bonds, but I for one am inclined to rule them out either on the grounds of too long maturity, laziness or my part in trying to determine their credit status, or the easiness with which I can obtain such issues as I have suggested to do the job.

Factors in Purchasing Securities

The extent to which other securities are purchased will depend on a number of factors. As I have stated, about the only justification for their purchase at all is to obtain a higher yield. Thus, considerations of income will be one of the first determinants. Coupled with this should be a balancing of the extent to which capital is to be exposed both to the credit risks and the market risks that are involved in the purchase of other securities. Both such risks are related to the maturity involved so that if only short-term other securities are purchased their purchase in greater volume would seem more justified than if longer maturities are purchased. Another factor which will or may influence the volume of other securities held is the availability of both other securities and governments of the desired maturity. Governments of certain maturities are unavailable and to fill in these maturity gaps, either in a program of staggered maturities or to meet certain loan and/or deposit needs, the choice may rest only with other securities. A final determinant of the size of the other securities account—which many bankers may deny but which I insist is a factor—is the statement effect. There can be no denying that on published statements of condition the tendency, and probably rightfully so, is to accord a greater credit risk and lesser marketability to the item "Other Securities" than to the item "Government Securities," and realizing this I have an idea that many top managements hold the "Other Securities" item down to an amount lower than would be the case were this not so.

The Place of Municipals in Investment Account

Because I wanted to consider separately the place of municipals in the investment portfolio I have heretofore referred to municipals in the same manner as other securities without reference to their tax status. I have mentioned that municipals might be purchased both for the secondary reserve and the more permanent investment account but without reference to their tax status. For the remaining portion of my time I should like to discuss with you the place in the portfolio of municipals. What I have said pre-

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*An address by Mr. Broach at the Northern Mid-Continental Regional Conference, National Association of Bank Auditors and Comptrollers, Toledo, O., May 10, 1951.

Charles E. Wilson Hails Millionth Stockholder Of A. T. & T. as Example of "Big Business"

In ceremony commemorating the millionth holder of American Telephone & Telegraph stock, Director of Defense Mobilization upholds "Big Business" as essential to American production, but says nation also needs small business. Outlines six-point belt-tightening program.

Speaking in New York City on May 16 at a dinner commemorating the attainment of the millionth stockholder of the American Telephone & Telegraph Company, Charles E. Wilson, Director of Defense Mobilization, pointed out that the large bodies of shareholders in American corporations is an example of the public's part in "big business."

Charles E. Wilson

"And what about this millionth stockholder?" Mr. Wilson added: "Is he a fabulously rich industrialist? A banker? A powerful politician? No, Mr. Brady Denton, of Saginaw, Michigan, who with his wife owns seven shares of A. T. & T. stock, is an automobile salesman. He lives in a modest house. He makes a decent but not sumptuous living. He takes part in civic and community affairs. He plays golf and fishes and hunts occasionally. Did he invest for speculation or merely to dabble in the market? Mr. Denton says he bought the stock because he and his wife want their three boys to have a college education. It was a solid investment for the future."

"I have a conviction," continued Mr. Wilson "that most of the people who so virulently attack big business have, themselves, an interest in big business. Either they have shares of stock or they have insurance policies—and insurance companies have heavy investments in the stocks of big businesses. It is almost impossible nowadays for anyone not to have some financial connection, however small, with big business. Yet these persons inveigh against the very institutions that afford them an income or security for the future. It is like the Communists who scream for freedom of speech but use it to overthrow the very democracy that assures that freedom.

"It takes big business to make big production. This has been one of the glories of America, and even Stalin at the end of the last war paid tribute to the productive capacity of this country. Perhaps it is the atomic bomb that has deterred him thus far from aggressive moves beyond those he has already engineered. But I think an equal deterrent may well be America's capacity for manufacturing the sinews of war."

The Defense Mobilizer then went on to outline a six-point, belt-tightening program for every American citizen and to serve notice that complainers about the hardships of rearmament would receive scant consideration from him. Wilson asked the American people to:

(1) Refrain from gross self-interest.

(2) Be content with reasonable profits and wages.

(3) Understand the need for higher taxes and other measures being taken to stem inflation.

(4) Not hoard, patronize black markets, or buy needlessly.

(5) Do their job as well as they know how.

(6) Have faith that the program upon which their government has embarked would ultimately serve their best interests.

"The greatest scarcities of materials, and hence the greatest need for controlling their flow and use, are yet to come. Similarly, the greatest pressures on prices and wages—the most serious inflationary pressures—will be felt some months from now," Wilson said.

"Restrictions and scarcities and some dislocations of the normal tenor of life are but a pretty price to pay for bulwarking our nation and our allies against engulfment by the hordes of communist imperialism. But already an anvil chorus of screams is disturbing the spring air of Washington."

In this hard-hitting statement, Mr. Wilson said "there is one reassuring thing about the chorus of screams. It means that there is beginning to be some equality of sacrifice."

COMING EVENTS

In Investment Field

May 18, 1951 (Baltimore, Md.)

Baltimore Security Traders Association annual Spring outing at the Country Club of Maryland.

May 18, 1951 (Washington, D. C.)

Bond Club of Washington annual outing at the Manor Club.

May 22, 1951 (Oklahoma City, Okla.)

Oklahoma Bond Club—Southwestern Group of Investment Bankers Association Spring outing at the Oklahoma City Golf and Country Club.

May 24-25, 1951 (Dallas, Tex.)

Texas Group Investment Bankers Association Annual Meeting.

May 25, 1951 (Cincinnati, Ohio)

Municipal Bond Dealers Group of Cincinnati annual spring party at the Maketewah Country Club (to be preceded by dinner and cocktail party for out-of-town guests, May 24).

May 30, 1951 (Dallas, Tex.)

Dallas Bond Club annual Memorial Day outing.

June 1, 1951 (Baltimore, Md.)

Bond Club of Baltimore annual outing at the Elkridge Club.

June 1, 1951 (Chicago, Ill.)

Bond Club of Chicago annual Field Day at Knollwood Club Lake Forest, Ill.

June 1, 1951 (Cincinnati, Ohio)

Cincinnati Stock & Bond Club Annual Spring Outing aboard the Delta Queen.

June 1, 1951 (New Jersey)

Bond Club of New Jersey Annual Field Day at the Montclair Golf Club.

June 8, 1951 (New York, N. Y.)

Bond Club of New York 27th annual Field Day at the Sleepy Hollow Country Club, Scarborough, N. Y.

June 8-9-10, 1951 (San Francisco, Calif.)

San Francisco Security Traders Association annual spring party at the Diablo Country Club, Diablo, Calif.

June 11-14, 1951 (Jasper Park, Canada)

Investment Dealers Association of Canada Convention at Jasper Park Lodge.

June 14, 1951 (St. Paul Minn.)

Twin City Bond Club annual picnic and Golf tournament at the White Bear Yacht Club — to be preceded by the usual pre-picnic get together Wednesday evening, June 13.

June 15, 1951 (Milwaukee, Wis.)

Milwaukee Bond Club summer party at Oconomowoc Lake and Country Club.

June 15, 1951 (New York City)

Municipal Bond Club of New York annual meeting at Sleepy Hollow Country Club.

June 15, 1951 (Philadelphia, Pa.)

Investment Traders Association of Philadelphia Summer Outing and Dinner at the Manufacturers Golf and Country Club, Oreland Pa.

June 18-23, 1951 (Philadelphia, Pa.)

Investment Bankers Association of American Investment Banking Seminar at Wharton School of Finance and Commerce, University of Pennsylvania.

June 22-24, 1951 (Minneapolis, Minn.)

Twin City Security Traders Association Annual Outing ("Operation Fishbite") at Gull Lake.

June 26, 1951 (Detroit, Mich.)

Securities Traders Association of Detroit and Michigan summer outing at the Plum Hollow Country Club.

June 30, 1951 (Chicago, Ill.)

Bond Traders Club of Chicago golf outing at the Nordic Hills Country Club.

Sept. 30, 1951 (Coronado Beach, Calif.)

National Security Traders Association Convention opens at Coronado Hotel.

Oct. 12, 1951 (Dallas, Tex.)

Dallas Bond Club annual Columbus Day outing.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Phelps Witter on Trip to East

LOS ANGELES, Calif.—Phelps Witter, Chairman of the governing board of the Los Angeles Stock Exchange and partner of the investment firm of Dean Witter & Co., is visiting in the East to meet with members of the New York Stock Exchange.

Mr. Witter also visited Hot Springs, Va., on May 13, 14 and 15, to attend a meeting of the board of governors of the Association of Stock Exchange Firms of which he is a regional governor. While in Hot Springs, he reported to Association governors on the recent Los Angeles observance of "Invest in America Week," and proposed that the event be observed nationally in the future.

With David A. Noyes

(Special to The Financial Chronicle)

CHICAGO, Ill.—John W. Sargent has become associated with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Joins Ralph F. Carr

(Special to The Financial Chronicle)

BOSTON, Mass.—Robert C. Carr is now affiliated with Ralph F. Carr & Co., Inc., 31 Milk Street.

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Diversifying Securities in the Bank's Investment Portfolio

viously about quality, maturity and yield differential applies equally to municipals as to other classes of securities with the one exception that in the case of municipals the yield comparison is between a tax-free yield and a fully taxable yield.

Under present tax laws the normal and surtax rates for banks earning over $25,000 subject to both normal and surtax aggregates 47%. Thus a 2% taxable yield figures to a net-after-tax yield of only 1.06%. For banks subject only to normal and surtax the yield of a municipal bond should be compared to the yield on a taxable bond less 47% to obtain a true comparison. On this basis alone purchase of the municipal in preference to some fully taxable bond often will be justified, but for the bank subject to excess profits tax the case in favor of the municipal becomes such as to preclude purchase of the taxable bond, all other factors being equal.

Effect of Excess Profits Tax

Under the Excess Profits Tax Act so-called excess profits are taxed at an additional 30%, which means that the applicable rate on such profits is 77%. The over-all tax rate on profits is limited to 65%, but this does not preclude the taxing of such profits as qualify under the law as excess profits at 77%. Thus for a bank subject to excess profits tax it is not a case of reducing a taxable yield by 47% to obtain a fair comparison with the tax-free yield on a municipal but rather of reducing the yield by 77%. On this basis a 4% taxable yield becomes less than a 1% tax-free yield. While one-year high grade municipals can be obtained on a 1% basis, where, I ask, can a high grade one-year taxable bond be obtained on a 4% basis? The answer is that "there ain't no such animal."

This tax advantage possessed by municipals, important as it is in the case of normal and surtax, is so important in the case of excess profits tax as almost to preclude purchase of other securities, —i.e., securities other than municipals and governments—by a bank subject to excess profits. For those of you who are very technical and up-to-date on the Excess Profits Tax Act, I admit that the full tax advantage of municipals is not quite as I have described it due to the reduction of the excess profits tax credit by the relationship of inadmissible to admissible assets, but for all practical purposes the relative tax-free advantage possessed by municipals is about as I have described it. While Federal Intermediate Credit Banks 2% Debentures with a maturity of nine months or less may be a good buy for a bank not subject to excess profits tax (the yield figures to 1.06% net) I don't see how they can be justified as a good buy for a bank subject to excess profits tax against a high grade general obligation state bond of comparable maturity yielding 0.95% or 1.00% tax-free. The F. I. C. B., after 77% tax, yields only 0.46% against a comparable maturity top grade state credit yielding 0.95%-1.00%. The advantage is all in favor of the latter. Thus for the bank subject to excess profits it seems to me that that portion of the investment account, both secondary reserve and the more permanent investment account, ordinarily filled by other securities, including municipals, now should be switched almost entirely to municipals. For one reason or another there is a limit on the amount of other securities to be included in the investment portfolio; under present tax laws the bank subject to excess profits tax is almost limited to tax-free municipals.

Conclusion

In my opinion there is a place in the investment portfolio for securities other than those of the U. S. Government. What securities are purchased, their maturity and in what amount is a matter for the determination of top management. You, as auditors and comptrollers familiar with the tax laws, can play an important role in these policy decisions. Today as never before the place of securities other than governments in the investment portfolio is a responsibility more of you than of the investment officer.

While it hardly comes within the purview of my subject, may I also suggest that in the matter of taking capital losses chargeable against ordinary income taxable at 47%, or 77% as the case may be, against the substitution of potential capital gains subject only under present law to a 25% tax, you can be of assistance to your portfolio manager.

Last Call for Texas Group IBA Convention

DALLAS, Tex.—The last call is out for the sixteenth annual meeting of the Texas Group of the Investment Bankers Association to be held in Dallas, May 24th and 25th. Following the business meetings an elaborate program has been planned for those attending and their wives.

Lewis F. Rodgers, Central Investment Co. of Texas is Chairman of the Texas Group, and R. B. Smith, of the Texas Bond Reporter, is Executive Secretary.

Members of the Convention Committee are John L. Canavan, Rauscher, Pierce & Co., General Chairman, and Chairman of entertainment; Winton A. Jackson, First Southwest Company, Chairman for Golf; Clarence E. Sample and George S. Rooker, Mercantile National Bank at Dallas, co-Chairmen for publicity; Harland Mayes, Rauscher, Pierce & Co., Chairman of registrations and reservations; George Hemmingson, Central Investment Company of Texas, Program Chairman; Carrol Bennett, Dallas Rupe & Son, Chairman of Transportation; and Judson S. James, Judson S. James & Co., Chairman of the Ladies Committee.

Walter Schneider With Distributors Group

Walter E. Schneider, former Treasurer of Preferred Accident Insurance Company, has joined Distributors Group, Incorporated, 63 Wall Street, New York City as a portfolio manager, it was announced by Harold X. Schreder, who heads the company's investment research organization. The company serves as investment manager for Group Securities, Inc., prominent mutual investing company.

Mr. Schneider is widely known in insurance circles for his management work on insurance portfolios over the past 20 years. He is a member of the Board of Foreign Missions of the Presbyterian Church of the United States and serves on its finance committee.

Mutual Funds

By ROBERT R. RICH

WELLINGTON FUND announces the inauguration of the Wellington Investment Plan to permit systematic purchase of its shares on a convenient schedule.

Under the plan an investor may send a stipulated sum—monthly or quarterly—for purchase of Wellington Fund shares and charge his account for the payment.

The Pennsylvania Company for Banking and Trusts of this city, named depositary and transfer agent under the plan, then invests each sum received from an investor in as many full and fractional shares of Wellington Fund as the deposit will buy at the offering price in effect on the day the sum is received. This arrangement is carried out by the Pennsylvania Company at no extra charge to the investor. Applications from investors under the plan are handled through the Fund's dealers.

The whole purpose of the Wellington Investment Plan, according to the announcement, is to facilitate the purchase of Wellington Fund shares with the maximum convenience. The only limitation, it was stated, is that the minimum initial investment may be no less than $250 and subsequent investments may be no less than $50 monthly. However, investors may make purchases on any convenient schedule above the minimum and may terminate the program at any time without penalty.

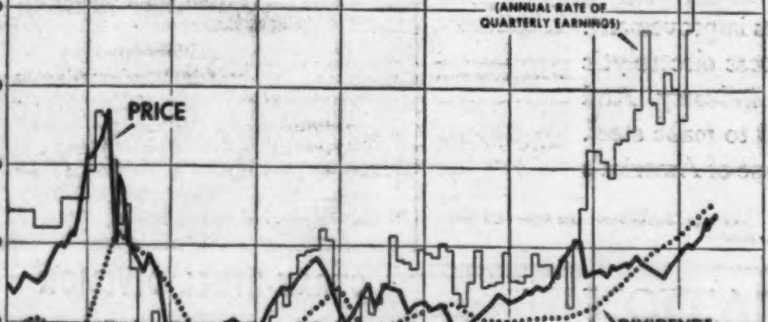
The plan also provides that applicants may elect to take distributions in stock instead of cash.

Publication of new booklets, "Your Financial Future" and "How to Start a Wellington Investment Plan," give full details on the Fund's new plan to facilitate systematic investment on a convenient and flexible basis.

Booklets may be obtained from Wellington Fund, 1518 Walnut Street, Philadelphia 2, Pa.

"WHAT OTHER service or commodity offers so much value for its present price as good-grade common stocks?" asks the current "Management of Money," published by Group Securities. Featured is a 25-year chart of the average earnings, dividends, and market price of the 30 stocks comprising a leading market index.

The chart reveals strikingly that while for some 20 years the relationship between earnings, dividends and prices remained fairly constant, since the market set-back in 1946 stock prices have responded only sluggishly to the extraordinary increases in both earnings and dividends.



RESULTS OF a survey of its shareholders by Diversified Investment Fund, indicate a substantially greater interest in mutual funds on the part of large investors than many persons in the financial community have thus far realized. One out of every five shares of Diversified Investment Fund is currently held by a substantial private investor with more than $10,000 invested in the Fund or by an institution, corporation, or fiduciary. The survey entailed examination of 8,500 shareholder accounts, representing Diversified Investment Fund's total net assets of over 22 million dollars.

Large private investors in the Fund outnumber institutional shareholders three to one. Of these individual investors, 6% have shareholdings worth more than $40,000 at current net asset value, 7% have accounts worth between $35,000 and $40,000; 15% are in the $20,000 to $35,000 category and 72% have holdings worth from $10,500 to $20,000. The average holding in the latter group is $14,302 at today's market prices.

In releasing results of the survey, Hugh W. Long, President of Diversified, made the following observations: "While we assumed that many substantial individual holdings might be expected in a conservative fund which invests in bonds and preferreds as well as common stocks, we did not expect such accounts to represent so great a proportion of total assets. The records show that this was not a development which occurred primarliy in the last year during which large investors and institutions have expressed increased interest in mutual funds. Many of these shareholders have been with the Fund for a period of time; others have built their investments to their present proportions by repeated purchases over the years."

IN CONNECTION with a Federal court action filed in Minneapolis on April 26, Earl E. Crabb, chairman and president of Investors Diversified Services, Inc., of Minneapolis, issued the following statement:

"The civil action filed in Federal Court today has no connection with the securities issued and distributed by Investors Diversified Services, Inc., and its affiliated companies. The action deals solely with certain technical questions relating to mortgage insurance services made available to those who borrow money on improved property from our Mortgage Loan Division.

"For many years, Investors has had an insurance department with licensed agents representing reliable and financially responsible hazard insurance companies, and has assisted borrowers in obtaining insurance coverage on their property. However, more than 50 per cent of the home buyers obtaining mortgage loans from Investors have provided their own insurance coverage through insurance companies which they selected.

"Experience has shown that the service rendered in procuring such insurance and keeping mortgage properties adequately insured at all times has been for the mutual benefit of the parties concerned.

"As mortgage investment managers we have the obligation to insist upon adequate insurance coverage upon mortgaged properties for the period covered by the mortgage. To meet this obligation we have assisted many borrowers in obtaining such coverage with responsible insurers.

"The point raised by the government in bringing this action is whether we may continue to render this service as we have done for a great many years without any question having been raised. We believe we have acted within our legal rights. The present civil suit will settle the question."

"CAN ANYBODY Make Money in a Bull Market?" Price declines during 1950 in many quality, dividend-paying stocks listed on the New York Stock Exchange—these in the face of a substantial rise in the general market averages—point up the danger of securities purchases based on the premise that "Anybody Can Make Money in a Bull Market," according to a study made by the investment firm of Calvin Bullock.

The study revealed that "with over 1,000 issues traded on the New York Stock Exchange during 1950, more than 200 issues, or approximately one stock in five, declined for the year," some of them by drastic percentages.

"Of the declining stocks, many issues of quality were conspicuous by their presence, including stocks with long records of uninterrupted dividend payments," the analysis, contained in the firm's monthly publication "Bulletin," observed. "Many of these are highly regarded by the investing public because of their earnings and dividend records over the years."

The study cites the price declines during 1950 in 24 well-known common stocks, with unbroken annual dividend records ranging back as far as 1890. The declines varied from 5% for Corn Products Refining, International Business Machines and Johns-Manville shares to 34% for Bon Ami "B" shares.

AT A SPECIAL MEETING of the Board of Directors of Sovereign Investors held May 15, George A. Bailey, former Vice-President, was elected as President of the Corporation. Other officers elected were Henry J. Kaltenthaler, Vice-President, Edward B. Cary, Secretary, and George A. Bailey, Jr., Treasurer. It is the intention of the new management that the Fund broaden its scope and distribute its shares in 20 states where they are now registered.

MASSACHUSETTS Life Fund reports total net assets of $13,420,873

on March 31, 1951, equal to $109.04 per unit on 123,086.83 outstanding units, compared with net assets of $12,354,733 at the close of March in 1950, amounting to $107.68 per unit on the 114,740.57 units then outstanding.

As of March 31, 1951, the portion of the Fund's assets represented by equities was 50.83 per cent, with 49.17 per cent in protective-type securities. Of the protective portion, 2.20 per cent of the total Fund was in cash and receivables, 18.12 per cent was in U. S. Government obligations and 28.85 per cent was in other bonds, loans and preferred stocks.

In the equity portion, industrial equities were 28.63 per cent of the Fund; public utilities were 14.78 per cent; bank and insurance stocks 5.04 per cent and railroads 2.38 per cent. Among the industrial equity group, the largest holdings were in oils and chemicals.

"THE FISCAL year ended April 30, for National Securities Series, marked the end of 11 years of consistent growth," according to H. J. Simonson, Jr., President, of National Securities & Research Corporation, sponsors. "Shareholders of National Securities Series now number 45,310 and hold 14,621,546 shares which compares with 712 shareholders holding 223,512 shares at the 1941 fiscal year-end."

Sales of National Mutual Funds it was further reported, were $29,-687,000 for the fiscal year just ended—the best year in the history of the company, up over 47% from the previous fiscal year. "A breakdown of the sales by specific funds," said Mr. Simonson, "shows the public in general is still seeking investments, the objectives of which are relatively generous income and opportunity for appreciation in rising stock markets, as a partial hedge against inflation. However," said Mr. Simonson, "in recent months there has been an increasing tendency for some investors to 'balance' their accounts with a portion in defensive types of investment such as bond funds."

As of April 30, 1951, net assets of National Securities Series were reported at $83,080,412 up 33% from the year earlier figure. Market value of securities held exceeded their cost by about $8,-500,000.

INCREASES OF 47.8% in net assets and 10% in asset value per share in the first four months of this year were reported by Growth Companies.

The increases boosted net assets to a total of $715,798 or $11.34 a share on April 30, 1951 as compared with $483,991 or $10.33 a share on Dec. 31, 1950.

Current Financial Comment

"It is difficult to recall when, if ever, the stock market has shown so protracted an indifference to day-to-day news as has been the case over the last several months.

"There is practically no speculation in the market. Very few people, it would appear, are trading for short-term capital gains. One gets the impression of steady although rather leisurely buying and of no liquidation of consequence. Pension funds, other trustees, individuals if and as they have idle funds, seemingly add from time to time to their holdings and once having added just keep on holding.

"We get the impression that most people have concluded that regardless of near-term developments in business or in the world political situation they will be as well off with good common stocks as with cash.

"While most investors are not serious students of monetary theory, it is probably true that most of them sense that the substitution of managed money for a gold standard makes the course of least resistance gradually higher prices.

"It is doubtless well understood that the alliance between politics and union labor is such that a period of serious deflation is very unlikely. And of equal importance is the alliance between the politicians and the farmers. There are very few politicians in either party who will seriously press now or at any time in the future for either lower wages or for lower farm prices."

EDSON B. SMITH,
Financial Editor,
"Boston Herald."

Continued from page 11

The Role of Credit Control In a Defense Economy

loans made on existing properties. Since passage of the Defense Production Act prices of old as well as new houses have increased significantly, thereby raising the loan values of old properties and adding to the potential volume of credit based on this type of asset. Price increases for old properties in turn tend to support increases in prices of, and the amount of credit extended on, new houses. Thus, restriction of credit extended on existing properties would help to make the restraint of new construction credit more effective as well as to limit inflationary mortgage credit expansion generally.

The amount of mortgage credit extended on old houses during 1950 was the largest on record, almost $9 billion or about three-fifths of all the credit extended on all 1- to 4-family properties. In the first quarter of 1951 lending on old houses was maintained at a very high rate and continued to account for a large share of the total volume of mortgage credit extension.

The President as well as the Council of Economic Advisers and the Joint Committee on the Economic Report have recommended that authority be granted to control credit on purchases of existing houses. The Board joins in this recommendation and urges that the authority be granted in the form provided in the bill presently under consideration.

Total mortgage debt outstanding on 1- to 4-family houses, new and old combined, is 2¼ times what it was at the end of World War II. Continuation of such rapid expansion of mortgage debt would not only threaten the stability of real estate markets but also have a serious inflationary impact on the whole economy.

Voluntary Credit Restraint Program

The recently inaugurated Voluntary Credit Restraint Program, to which I referred earlier, is designed to encourage financing institutions to conduct their credit operations in such a way as to contribute to meeting defense and other essential needs and at the same time to help limit the use of credit for other purposes. This program has been established as a result of the President's delegation to the Board of the authority contained in the Defense Production Act to encourage the making of voluntary agreements in the field of financing. It has been developed after consultation with and approval by the Attorney General and also after consultation with the Federal Trade Commission.

The program is entirely voluntary on the part of participating financing institutions and its success is wholly dependent on the cooperation of such institutions. The Board and the Reserve Banks participate in is to the extent under the terms of the Program in order to be of assistance to the voluntary committees appointed under the Program. Governor Powell has been designated by the Board to be Chairman of the National Voluntary Credit Restraint Committee. This Committee originally consisted of four representatives each of banks, insurance companies, and investment banking houses chosen after consultation with the lending associations in these areas. More recently, two representatives each of mutual savings banks and savings and loan associations have been added to the Committee.

The National Voluntary Credit Restraint Committee has established initially 12 subcommittees for banks, one located in each Federal Reserve District, and four regional subcommittees each for insurance companies and investment banking houses. These subcommittees are available for consultation with individual financing institutions to assist them in determining the application of the Program to specific loans for which application has been made to financing institutions. Of course, the final decision with respect to making or refusing to make any particular loan or loans is wholly within the discretion of each financing institution, whether or not it has consulted with any of the subcommittees.

Members chosen to serve on the national committee as well as on the various subcommittees have been very carefully selected to provide broad participation by the financial community. I will submit for the record a list of the membership of the national and regional committees. You will agree, I'm sure, that this is an impressive roster of financial leaders.

The national committee has issued three bulletins, the first dealing with means of restraining inventory financing, the second with the principles to be followed in financing capital expansion programs and the third with State and Local government financing. These bulletins, together with the Statement of Principles of the Program, have been distributed to all financing institutions participating in the Program to provide a common guide for combating inflationary loan expansion in their respective fields. Other bulletins as may be appropriate and helpful will be issued from time to time.

While there has not yet been time to build up a body of statistical information to enable the Committee to analyze thoroughly the effects of the Program, there are indications that the initiation of the Program has had a salutary effect on the trend of credit. Expansion of bank credit, which was very sharp during the last half of 1950, has shown some signs of abating in recent weeks.

Endorsements of the Program and pledges of wholehearted cooperation have been received from many representative industry groups. In the circumstances, those connected with the Program are most encouraged, and it is the Board's view that the authorization for this unique cooperative effort as one means of restraining the further expansion of private credit should be continued.

V-Loan Program

Section 301 of the Defense Production Act provides the authority for the current guaranteed loan program under which loans made by private financing institutions to defense contractors are guaranteed by defense procurement agencies. Essentially this program is a revival of the so-called V-loan program which was successful in helping to finance war production during World War II.

Under the present program, there are eight guaranteeing agencies: the Departments of the Army, Navy, Air Force, Commerce, Interior, and Agriculture, the General Services Administration, and the Atomic Energy Commission. The 12 Federal Reserve Banks act as fiscal agents of the United States on behalf of these guaranteeing agencies. The Board, after consultation with the guaranteeing agencies, has prescribed regulations governing the guarantee operations of the Reserve Banks and rates, fees, forms, and procedures to be utilized in connection with such guarantees.

One of the special virtues of the V-loan program is the fact that the procedure for obtaining a guaranteed loan is relatively simple. Briefly, any defense contractor who requires financing in order to carry out his contracts first gets in touch with his local bank or financing institution. The financing institution, after working out the terms of the proposed loan, files an application for a guarantee with the Federal Reserve Bank of its district. The Reserve Bank makes any necessary credit investigation and submits the loan to the appropriate agency for approval. If the guaranteeing agency approves the application, it authorizes the Reserve Bank as its agent to execute the guarantee agreement.

A maximum interest rate of 5% and a schedule of guarantee fees have been established by the Board after consultation with the guaranteeing agencies. The higher the percentage of guarantee requested by the financing institution, the higher the guarantee fee which it is required to pay. This encourages financing institutions to assume as much of the risk as possible and reduces the government's contingent liability.

Up to April 30, 503 applications for guarantees totaling about $565 million had been received; 327 applications were approved for about $422 million; 105 applications for about $123 million are under consideration; 57 applications aggregating about $11 million were declined, and the remaining few applications were withdrawn. At present, applications are being received at a rate of slightly more than 100 a month.

Because of rulings of the Comptroller General, financing institutions have been reluctant to take assignments of government contracts as security for defense loans. However, this situation will be remedied by a clarifying amendment to the Assignment of Claims Act recently approved by the Senate and the House of Representatives. With this impediment to lending on defense contracts removed, and with the anticipated acceleration in the defense production program, there is every reason to expect that the volume of applications for guaranteed loans under the V-loan program will increase greatly.

The basic purpose of the V-loan program is to utilize the private banking system so far as possible in financing necessary defense production. V-loan guarantees are especially useful to smaller contractors who may not be otherwise able to obtain necessary financing for defense contracts.

Continuing Need for Restraints On Inflation

Defense production is in the early stages and demand for civilian goods remains at high levels. Present schedules call for doubling defense outlays as a percentage of national output within a year. In addition, private outlays for new plant and equipment are expected to increase substantially, adding to inflationary tendencies. Although recently inflationary pressures appear to have moderated, the fundamental situation in this country and abroad is still strongly inflationary.

Estimates of possible increases both in total output and in output of particular products indicate that the defense and other essential goals cannot be realized unless civilian production and demand for important types of goods are curtailed. Present and prospective shortages of steel, copper, and other metals require restraint on competing civilian uses of metals, such as automobiles, appliances, houses, and commercial construction. Unless both public and private expenditures for non-defense purposes are limited, the only alternative is a further advance in prices. It is of paramount importance, therefore, that the anti-inflation programs now in operation be continued and strengthened.

* * *

Martin Terms Recent Support Operations As Negligible

Under questioning by various Senators May 11, Mr. Martin termed negligible the support to the government bond market given by his agency last week since the Treasury's decision not to redeem the almost $8 billion of 2% bonds callable Sept. 15. He said the Reserve's purchases were under $10 million since the announcement of last Tuesday.

In referring to the Board's policy, Chairman Martin indicated it does not plan to peg prices at any specific level or volume, but merely to enter the market when and if a price decline gets out of hand. The day before Mr. Martin told members of the House that to let the market go completely free would place control of the market in the hands of speculators instead of the forces of supply and demand.

Jaffe, Siegler Opens New Branch Office

CLEVELAND, Ohio — Jaffe, Siegler and Co., Union Commerce Building, members of the Midwest Stock Exchange, announce the opening of an office at Lorain, Ohio, at 116 Eighth Avenue, under the management of Louis R. Fields, to engage in a general securities business.

Louis R. Fields

Mr. Fields has spent the major portion of his life in Lorain, Ohio, in business for himself. In the last few years, he has been associated with the City Produce Company of that city.

Coughlin Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Herbert P. White has been added to the staff of Coughlin & Company, Security Building.

Money Market Factors In Industrial Problems

By ROBERT C. TYSON*
Vice-President and Comptroller,
United States Steel Corporation

U. S. Steel executive describes how Federal policy of low interest rates and pegged bond prices engenders monetary inflation. Decries use of price controls and corporate "profit squeezing" to cover up inflation, and urges security dealers to become active in educating public on adverse consequences of wrong monetary and fiscal problems.

As members of the Chicago Bond Club I suppose your primary professional interest is — well, bonds. U. S. Steel's affairs are not directly—and I emphasize the word "directly" — affected to any large degree by developments in the markets for bonds. That is because the bonded indebtedness of U. S. Steel subsidiaries is comparatively small in accordance with the management's established belief that a durable goods manufacturer should avoid incurring fixed interest or fixed dividend obligations except as a last resort. Nor do we presently contemplate any change in that policy.

Robt. C. Tyson

But though our affairs are not directly affected by what happens in the bond markets, on past occasions they have been woefully—and may in the future be seriously — affected indirectly by bond market developments.

The Policy of Low Interest Rates

Thus, I suppose that every one of you, as close students of the money and bond markets, would agree that if there has been one single feature of those markets which has stood out head and shoulders above all other features for nearly 20 years, it has been the national policy that interest rates shall be kept artificially low and, hence, bond prices kept artificially high. The obvious reason for doing this was to make it easier for the government to borrow a lot more money—over $200 billion—than it took in in taxes. But it is the manner of its doing which has affected U. S. Steel's affairs as it has, indeed, affected the affairs of every individual and business in the land.

Thus, everybody knows, the only way to maintain an artificially high price for a government bond—or anything else—is to have an unlimited and ready buyer at the fixed price lest some person sell the bond to his neighbor for less than the fixed price. But to have unlimited buying of anything requires an equally unlimited supply of money, and the only way to have the money is to stand ready, in effect, to print it in amounts needed for the given purpose. This the government has done through Federal Reserve multiplication of bank reserves with a resulting great increase in the supply of the bank deposits that the country uses for money.

The method is technical and you gentlemen understand it far better than most people. In brief, the government issues government bonds, many of which—$40 billion worth in the past ten years—are lodged with the commercial banks, thereby equivalently creating brand new deposits to be spent. The method, as I said, is technical and unfortunately hidden to most people. But the results are terrific. Thus, elementary Freshman economics tells us that if large quantities of newly "printed" money flood into markets seeking goods and services, the money will overbalance the goods, with the result that prices are bid up and the sad story of inflation begins to unfold.

*An address by Mr. Tyson before the Bond Club of Chicago on its visit to the South Chicago Works of the United States Steel Corp., Chicago, Ill., May 10, 1951.

Fixed Interest Rates Engenders Inflation

That is where the affairs of U. S. Steel and of all other businesses are affected. All businesses have to make their forward calculations in dollars as the only common denominator of costs and prices with respect to the countless goods and services in which they deal. But how in the world can such calculations be confidently made if the dollar is not kept honest and much of the managers' time has to be spent in fruitlessly guessing just where the dancing dollar is going to be sometime hence?

A simple example is the planning and building of new facilities, such as our Fairless Works near Morrisville, Pa. How can the prudent provision of funds for that purpose avoid being defeated if, by the time the plant is built and must be paid for, there has been dilution of dollar buying power? Even government officials have been heard to complain that it costs a lot more dollars to buy armament now than it used to cost. As to that, one is compelled to observe that it is primarily the government's own fault for having preferred big spending and dollar depreciation to the maintenance of an honest money.

But these are only the beginnings of the perplexities created for business by artificial bond prices and interest rates. As previously noted, when huge quantities of new money are in effect printed through debt creation and debt monetization and the money is then spewed forth into the markets, prices start going up fast. The authorities have discovered that people don't like that. But, instead of logically shutting off the spewing, what they do, for reasons which I can only regard as quaint, is to pass laws and regulations to punish people for selling their goods and services for a greater number of the cheapened dollars. Men are pulled out of production and organized as administrators to compel people to sell their goods and services to each other for less than they are worth. This is called price control, and its purpose is to obscure the dollar depreciation resulting from the easy money policies.

Price Controls Unworkable

General price control never has and never can work very well, even when backed by the death penalty. The reason is that it is essentially unjust: It tells everybody that they must sell their property, or their labor, to their neighbors for less than it is worth, while to buyers it says that they can get from their neighbors a margin of something for nothing by paying fewer dollars than what they buy is worth. General price control is nothing but generalized injustice. Price edicts thus historically have been generally honored in their breach. To the extent that they have been obeyed, they have tended to kill off production and trade.

Of primary interest to you gentlemen as bond men, however, is the fact that price control is politically and administratively feasible, despite its injustice, in one segment of the American economy. I refer to the corporate structure and particularly to the larger corporations. Thus it would be politically dangerous and administratively unenforceable to dictate selling prices to the millions of independent American farmers. They vote. It would be similarly difficult to do much more than pretend to restrict the compensation paid to millions of voting employees or the prices charged by other millions of people in business or professions for themselves. But corporations — that is different! They don't vote, and there are, comparatively, only a few of them. Moreover they have an existence requirement to obey all laws and regulations—even bad ones.

What all this means is that price control, when the folderol is cleared away, substantially degenerates into corporate profit squeezing, proffered to the public as a cure for inflationary devaluation of the dollar's buying power. That this is the real nature of the method can be demonstrated readily by reference to common knowledge and to a few figures from my own company's records. From 1940 to 1946 U. S. Steel's steel product prices were frozen. But in the same span of time the cost to the U. S. Steel of a steelworker's hour of work increased by 55%. Profits during the five war years (1941-1945) shrank to an average of only 4.1% of sales despite an "all-out" production rate. Finally, as everybody knows, so-called price control did not save us from extensive dollar depreciation: The 1940 buyer of a savings bond, for example, discovered when it was paid off in 1950 that the $100 he got back would only buy four-fifths as much of real things as the $75 he paid for the bond would have bought in 1940.

Profit Squeezing to Cover Up Inflation

We seem now to be heading once again into the same sort of profit-squeezing cover-up for inflation, and I submit that it can be of considerable interest to you as bond men. We even have the same familiar terms of "price negotiation," "price redetermination" and, finally, "renegotiation" for defense business, and we have the same controls aimed at restricting prices without corresponding restriction of employment costs for civilian business. Then, if there is anything left, we have higher taxes. There are several ways in which such a prospect impinges on bond markets.

One of them is that, to the extent that the public actually accepts the price control—or, more accurately, the profit squeezing—as an inflation antidote, the program of prudent restraint which the monetary authorities have adopted recently towards the money markets might unfortunately be undermined. I do not need to tell you what the effect on bond prices would then be, if only temporarily.

Also of interest to you is the possibility that the profit squeezing might be carried to the extent of substantially usurping the cash otherwise destined for reinvestment in essential facilities. This might force corporations to seek new money through bond issues—which could seem to you like welcome new business. But on the other side of the ledger you would have to face the fact that the more a corporation's income is squeezed or taxed away, the more the margins of safety behind its obligations are undermined. Then, too, you might ponder the possibility that, as profit squeezing proceeds, and politically unrestrictable costs mount against frozen prices, expansion programs originally contemplated may have to be postponed or abandoned. That, too, could have consequences of interest to you as bond men.

Another prospect of interest to you lies in the announced policy that the profit squeeze may proceed until profits have been reduced to 85% of the average profits in three years in the period 1946-49. Were profits squeezed that much, revenue from corporate taxation would be reduced by about $10 billion from the current annual rate, according to a rough estimate. The questions, for which I do not pretend to have the answers, are: Would heavier taxes be levied on individuals and institutions that might otherwise be bond buyers? Would greater amounts of Federal debt be created? Would corporate taxation be stiffered still further against the shrunken tax base? The answers, I submit, might be of considerable interest.

The time assigned for my remarks has been used up. I have been talking of matters with which you are professionally familiar. I can assure you, however, that these matters of fiscal and monetary policy, of inflation techniques and cloaks, are obscure to most people in this country of ours. I wonder if there does not therefore devolve upon you a certain obligation of understanding and leadership in your community with reference to such matters. I fear that the country sorely needs rescrutiny and guidance with respect to the ultimate consequences of monetary and fiscal policies, which consequences too often are obscure to most people.

Dresser & Escher Admit

Dresser & Escher, 111 Broadway, New York City, have announced that Arthur B. Waring has been admitted to general partnership in the firm. Hugh White Escher is now associated with them also.

Stefan X. Bagrowski Opens

DAYTON, Ohio—Stefan X. Bagrowski is engaging in a securities business here.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League Standing of May 11, 1951 are as follows:

TEAM	Won	Lost
Hunter (Capt.), Lytle, Reid, Kruge, Swenson	28	14
Donadio (Capt.), DeMaye, O'Conner, Whiting, Workmeister	25	16*
Goodman (Capt.), Lax, Valentine, M. Meyer, H. Frankel	24	17*
Kumm (Capt.), Weseman, Tisch, Strauss, Jacobs	23	19
Greenberg (Capt.), Sullivan, Stein, Wechsler, Siegel	23	19
Mewing (Capt.), Klein, Cohen, Manny, Chegan	21	21
Leone (Capt.), Krassowich, Nieman, Pollack, Gavin	20	22
Burian (Capt.), Manson, King, Voccoli, G. Montanyne	20	22
Serlen (Capt.), Gersten, Gold, Krumholz, Young	19	23
H. Meyer (Capt.), Smith, Farrell, A. Frankel, Lapato	17	25
Krisem (Capt.), Bradley, Montanyne, Weissman, Gannon	15	27
Bean (Capt.), Kaiser, Growney, Gronick, Rappa	15	27

*41 Games Played.

BOND CLUB OF DENVER

THE BOND CLUB OF DENVER KEGLERS ANNOUNCE THE FIRST SCORES IN THIS YEAR'S SERIES

	Won	Lost	HG	Prize	HS	Prize per Man
1. Robert K. Mitton Investments	47	28	568	$3.00	1596	$10.00
2. J. K. Mullen Investment Co.	44	31	502		1408	8.00
3. Mutual Funds	43	32	555		1542	7.00
4. Colorado Grain	40	35	535		1553	6.00
5. J. A. Hogle & Co.	39	36	576	3.00	1534	5.00
6. Peters Writer & Christensen, Inc.	38	37	552		1517	4.00
7. Bosworth Sullivan & Co.	33	42	534		1475	3.00
8. Sidlo, Simons, Roberts & Co.	31	44	500		1342	3.00
9. Boettcher and Company	30	45	568		1488	3.00
10. Harris, Upham & Co.	30	45	527		1401	3.00

	TM	GB	TP	AVG	HG	PRZ	HS	SWK & PRZ	
1. Mayer	HO	72	12187	169-19	223	$2.00	583	536	
2. Stone	MI	45	7558	167-43	211		574	633	$5.00
3. Alff	MI	75	12535	167-10	243	2.00	572	602	
4. Ryan	PWC	66	10815	163-57	210		559	532	
5. Mitton	MI	72	11668	162-4	204		577	595	
6. Robinson	SSR	54	8670	160-30	209		555	553	
7. Bachar	HO	75	12012	160-12	224		575	542	
8. Kennedy	BS	67	10688	159-35	211		557	569	5.00
9. Buchenau	BS	45	7078	157-13	206		562		
10. Hasselgren	CG	72	11311	157-7	223		570	567	5.00
11. Forsyth	MF	69	10799	156-35	223		579	682	5.00
12. Ormsbee	PWC	66	10263	155-33	201		524	564	5.00
13. Currie	CG	72	10979	152-35	193		525	544	
14. Young	MF	75	11331	151-6	206		535	594	
15. Snowden	PWC	19	2875	151-6	193		505		
16. Davis	HU	72	10877	151-5	200		546	537	
17. Hunt	MF	75	11275	150-25	208		522	537	
18. Carroll	BC	68	9954	146-26	198		509	527	
19. Lascor	JKM	75	10958	146-8	211		502	542	
20. Hershner	CG	66	9640	146-4	209		525	563	
21. Dispense	BC	75	10664	142-14	213		554	604	5.00
22. Siple	HU	60	8527	142-7	197		502	569	5.00
23. Burkhardt	BC	57	8087	141-50	198		491	554	
24. Fisher	BS	63	8847	140-27	185		494	560	
25. Inman	HO	66	9093	137-51	201		506	623	5.00
26. Simons	SSR	57	7501	131-34	191		523	534	
27. Talmadge R	JKM	66	8631	130-51	179		465	624	5.00
28. Talmadge M	JKM	66	8166	123-48	189		462	537	
29. Johnson	HU	60	6597	109-57	148		406	517	
30. Brunton	SSR	60	6371	106-11	156		390	606	5.00
ALTERNATES									
Myers		6	1057	176-1	207		540		
Haggerty		15	2342	156-2	200		494		
Neiswanger		12	1854	154-6	185		516		
Hammer		48	7185	149-33	218		521		
Roberts		48	6675	139-3	181		485		
Neely		15	2024	134-4	162		435		
Jaquith		12	1607	133-11	162		436		
Yaneck		13	1329	102-3	132		377		

The "Gap" and Controls

"The plain fact is that when you expand production, as we are doing now in this country, people have more money to spend. And when that expanded production goes into military goods, there aren't enough civilian goods for people to spend the extra money on. This creates an inflationary gap. That is what is going to happen over the next year or two. There is no escaping it. It is going to get worse before it gets better. And those who are spreading the foolish notion that we can get through this period without price and wage controls are doing the country an immense amount of harm.

President Truman

"We hope that this period will not be long and that the time will come in two or three years when we can begin to take controls off. We are moving as rapidly as we can to expand the productive capacity of the country. Assuming that the Kremlin does not bring on a world war, we hope that our productive capacity will soon be great enough so that we can carry the defense program and still produce an ample supply of civilian goods. When that time comes, we should be able to do without controls."—President Harry S. Truman.

It would be interesting to know how the President thinks controls would close the "inflationary gap."

Continued from page 2

The Security I Like Best

ance Company, one of America's largest investors, in its published statement of portfolio holdings, now shows an investment in stocks of $161,500,000, and has stated that all but $7,452,502 are in guaranteed rails and preferred stocks; while Equitable Life Insurance, also one of the major companies, now holds $90,455,667 in stocks, of which all but $8,642,995 are in the guaranteed rail group or in preferred stocks.

Now there must be some sound and logical reasons for the long-time inclusion of guaranteed rail stocks in the portfolios of these major insurance companies, who are supposed to pay some of the best investment brains in the business to select and supervise their portfolios. Quite possibly it may be because, among other favorable factors, reliable income is now at a premium. And in the instance of many of the guaranteed stocks, income is far more generous, and shall we say, usually much more reliable than it is in the average Industrial or Public Utility stock, because this income, being a rental, is a business operating expense and has been placed by the terms of the leases on a basis of guaranteed payment, sometimes uninterrupted for several generations. I call to mind one of New York Central's senior guaranteeds that has had an uninterrupted dividend record for more than 80 years!

To sum up in a single paragraph my preference for this particular security at this particular time, I would like to say that the proof of the pudding is usually in the eating. Some years ago the sale of 100 shares of American Telephone at its high, which was returning $900 in income, purchased 200 shares of Boston & Albany, returning $1,750 in income, on approximately the same investment. Today, some years later, American Telephone would have lost that client approximately $4,200 in principal and retarded the income to approximately $6,300 in seven years, while in the Boston & Albany holding the gain has exceeded $8,000 and the income has exceeded $12,000 for that period of time.

The recent action of the large funds in disposing of Public Utilities and the substitution of Rails and Oils, proves that these two are becoming market favorites because of their tax shelter proclivities.

New York Central's net for 1950 was above $19,000,000 as compared with a little over $13,000,000 for 1949. With Rail income for the first three months of 1951 in a steep rise for Class I roads of $104,000,000 as compared with $55,000,000 net for the first quarter of last year, the outlook is most impressive for continuing high earnings.

Frank Hall Partner in Gersten & Frenkel

Frank L. Hall has been admitted to general partnership in Gersten & Frenkel, 150 Broadway, New York City, it was announced.

Joins Adolph Thorsen

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Lewis D. Thill has become associated with Adolph G. Thorsen, 735 North Water Street. He was formerly with Paine, Webber, Jackson & Curtis.

John B. Brown Opens

MONTCLAIR, N. J.—John B. Brown is engaging in a securities business from offices at 86 Edgemont Road.

Insured Investments Co.

MIAMI, Fla.—Insured Investments Co. has been formed with offices at 12 McAllister Arcade to conduct a securities business.

C. E. Jones & Co. Formed

JAMESTOWN, N. Y.—C. Elliott Jones has formed C. Elliott Jones & Co. with offices at 1258 Prendergast Avenue, to conduct a securities business.

Canadian Securities

By WILLIAM J. McKAY

The more closely Canadian economic prospects are examined, the more anomalous appears the recent decline of the Canadian dollar. Extraordinary demand for U. S. dollars in connection with seasonal commercial and stock piling operations account partly for the adverse exchange trend. Liquidation of U. S. speculative positions in Canadian dollars have also provided a contributory factor. On the other hand the seasonal commercial tendency should now commence to be sharply reversed, and U. S. tourist expenditures in the Dominion should accentuate the turning of the foreign exchange tide. Moreover despite the recent abnormal volume of Canadian imports from this country, exports likewise have registered a remarkable rise. Dominion exports to all countries in the first three months of this year totalled $809 million, an increase of 25% over the same period last year, and shipments to the United States accounted for 75% of this notable advance.

Similarly, as an offset to the recent liquidation of U. S. speculative holdings of Canadian dollars there have been new provincial and municipal borrowings in this country in the past few months which have so far amounted to over $100 million. Furthermore there is still nothing to suggest that the overall movement of foreign funds for development of Canadian industry and numeral wealth has abated to any important degree. On the contrary external confidence in the future of Canada has never been higher. The growing realization of the Dominion's immense potential is making Canada a focal point for international investment. In addition to the obvious material prospects the foreign investment movement is further encouraged by the world's increasing esteem for Canadian conservatism in financial and economic management.

Disregarding the negative factor of current fears concerning inflation in the United States that has tended to divert flight capital to Canada, there are many positive reasons for the choice of the Dominion as a safe haven for nervous foreign funds. The record shows that whereas 10 years ago the Canadian national debt on a per capita basis was in excess of that of the United States, the U. S. total is now approximately twice the Canadian. Since the war Canada has reduced her net debt by about 15% and has been able to attain a substantial budgetary surplus in each of the past six years. In view of the compactness of the Canadian economy the Dominion's recent vigorous anti-inflationary measures have been clearly more effective than those that have been put into operation south of the border.

When consideration is given to the fact that whereas Canada is now on the threshold of an era of unparalleled development of her enormous wealth of natural resources, the economy of this country is now commencing to feel the effect of the past steady drain on its reserves of raw materials, the anomaly of a discount on the Canadian dollar is clearly apparent. This year in particular the development of the Dominion's vast resources of oil, natural gas, and iron-ore will place Canada a further long stride nearer to the goal of self-sufficiency in these vital items. Other important projects that will also move into high gear this coming summer include the following:

(1) Commencement of operations in connection with the establishment of a new aluminum industry in British Columbia that will ultimately entail the expenditure of $550 million.

(2) The development by Sherritt Gordon Mines at a cost of $28 million of a second great nickel-copper field for Canada at Lynn Lake in Northern Manitoba.

(3) Construction of a new plant at Copper Cliff by Canadian Industries Ltd., for the annual production of 90,000 tons of liquid sulphur dioxide from by-product gases in connection with a new smelting process developed by the International Nickel Co.

(4) Establishment of a new plant by the Shell Oil Co., of Canada for the production of sulphur from natural gas at Jumping Pound, Alberta.

(5) Extension of facilities for the development of the Quebec Iron and Titanium Corporation's vast Allard Lake ilmenite deposits, the source of the new vital metal, titanium.

These are only a few of the projects that will make the coming months a period of unprecedented Canadian economic activity. The upward pressure on the dollar will also be increased as a result of an anticipated record tourist traffic and the operation of the tariff agreements recently concluded at Torquay, England. It is to be anticipated however that the Canadian authorities will continue to do their utmost to discourage undesirable speculative activity based on the logical expectation of an eventual rise of the Canadian dollar to parity with the U. S. dollar.

During the week interest in the external section of the bond market was largely confined to preliminary activity in connection with the forthcoming Edmonton and Toronto issues. The internals were dull with prices mostly unchanged. Following its recent sharp fluctuations the Canadian dollar settled down in the neighborhood of 6% and the arbitrage rate was unchanged at 8%. Stocks were generally lower with index losses of 5 to 6 points. The base-metals and industrials were the worst sufferers although Massey Harris was actively traded and reached an all-time high before reacting. The golds were inclined to resist the general trend and certain Western oils, notably Federated Petroleums managed to record slight gains.

Stanley Heller to Open New Branch

Stanley Heller & Co., New York City, established 1927, members of the New York Stock and Curb Exchanges, will soon open a branch office, centrally located at 601 Madison Avenue, between 57th and 58th Streets. The branch office will have complete facilities and will be under the management of Miss Miriam Minden. This is another step in the expansion of this firm's activities, following the opening of their Palm Beach office this past winter. Exact date of opening will be announced soon.

Two With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frederick R. Feitshans and Richard P. Hyland have become connected with J. A. Hogle & Co., 507 West Sixth Street.

With Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles M. Blalack is now with Mitchum, Tully & Co., 650 South Spring Street.

Clement Evans Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Archibald B. Ragan has been added to the staff of Clement A. Evans & Company, Inc., First National Bank Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Central Hanover Bank and Trust Company of New York announces the promotion of John H. Andren and Otto H. Goettert to assistant Vice-Presidents. Mr. Andren is in the foreign division and Mr. Goettert is in the personal trust division.

* * *

Joseph C. Rovensky, member of the board of the **Industrial Bank of Commerce of New York**, will receive an Honorary Doctor of Humane Letters degree from Wagner College, Staten Island, on June 2. Mr. Rovensky is also director of the National Foreign Trade Council, Chairman of the Board of Patino Mines and Enterprises Consolidated, Inc., and other organizations.

* * *

Irving Trust Co. of New York has announced the promotion of Olavi Silvonen from Assistant Vice-President to Vice-President of the company in its investment activities. Mr. Silvonen was graduated from Brown University in 1932. Since then he has been continuously engaged in investment work except for war service in the Navy.

* * *

N. Baxter Jackson, Chairman of the **Chemical Bank & Trust Co. of New York**, announced on May 10 the election of Donald Comer, Jr., to the Advisory Board of the Textile Office of the bank at 320 Broadway. Mr. Comer is President of Southeastern Cottons, Inc., one of the leading Worth Street commission houses; Vice-President and director of Cowikee Mills, Inc., Eufaula, Ala.; and a director of Avondale Mills, Inc., Sylacauga, Ala.

* * *

Thomas W. MacLeod, President of Stern Brothers, has been elected a member of the Advisory Board of the Fifth Avenue office of **Manufacturers Trust Co. of New York**, it is announced by Horace C. Flanigan, Chairman of the Board of the trust company. Mr. MacLeod, who has been associated with Stern Brothers for the last 19 years, has been President since Dec. 14, 1950. Prior to that he had been Executive Vice-President of the department store.

* * *

Subscription rights to subscribe at $40 per share to 1,000,000 additional shares of capital stock of **The National City Bank of New York** were mailed on May 14 to shareholders. The offering is on the basis of one new share for each 6.2 shares held of record May 8. The subscription rights will expire at 3 p.m. on June 4. The offering is being underwritten by a banking group headed by The First Boston Corp. and including Morgan Stanley & Co.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; Dominick & Dominick; Goldman, Sachs & Co.; Lazard Freres & Co., and Lehman Bros. With assets in excess of $5,600,000,000 on March 31, last, National City maintained 67 branches in Greater New York and 53 overseas branches located in 19 countries. In the past 10 years, combined deposits of the bank and City Bank Farmers Trust Co. have grown from $2,999,000,000 in 1940 to $5,244,000,000 at the close of 1950. During the same period outstanding loans increased from $550,000,000 to $1,665,000,000. Dividends on the capital stock, of which there will be outstanding 7,200,000 shares upon sale of the additional stock, have been paid in each year from 1813 to date. As indicated in recent issues of the "Chronicle" (May 3, page 1867, and May 10, page 1962), the bank recently took action toward increasing its capital from $124,000,000 to $144,000,000 and its surplus from $136,000,000 to $156,000,000.

* * *

The Board of Trustees of **The Bowery Savings Bank of New York** on May 14 elected Thomas A. Dolan Vice-President and appointed Aubry J. Hood, principal Executive Assistant. Mr. Dolan was promoted from Assistant Vice-President and Mr. Hood was formerly Administrative Assistant.

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An exhibition of water colors showing scenes along the inland waterways of the United States are on view during the month of May at the West Gallery, Rockefeller Center office of the **East River Savings Bank of New York**, from 9 a.m. to 3 p.m., weekdays. The paintings by Edmond James FitzGerald were painted for "The Lamp," publication of Standard Oil Co. (New Jersey).

* * *

The capital of the **Lafayette National Bank of Brooklyn, N. Y.**, was increased, effective April 23, from $1,000,000 to $1,100,000 by the sale of $100,000 of new stock.

* * *

Adam Schneider, Jr., President of the **Roosevelt Savings Bank, Brooklyn, N. Y.**, announced on May 10 the election of his son, Frederick H. Schneider, to the Board of Trustees of the bank. Frederick Schneider is also Counsel for the bank, having been associated with the late Gen. Bryer H. Pendry in the law firm of Pendry & Schneider, of Brooklyn. Frederick Schneider is a graduate of the University of Pennsylvania Wharton School of Finance & Commerce and St. John's Law School. Before entering the armed forces he attended Harvard Law School. He was admitted to the bar in June, 1947.

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Franklin A. Hebard is now President of the **Salem Five Cents Savings Bank of Salem, Mass.**, having succeeded W. Warren Stocker following the retirement of the latter from the Presidency in December, last.

* * *

Morris Sayre has been elected to the Board of Managers of **The Montclair Savings Bank, of Montclair, N. J.**, it is announced by T. Philip Reitinger, President. Mr. Sayre is Vice-Chairman of the Board of Directors of Corn Products Refining Company, and until recently was the President. He has been associated with the company since 1908 when he started as a student engineer of the Granite City, Ill. plant. He came to New York in 1928 to be General Manager of the company and was elected to the presidency in 1945. Mr. Sayre is a past President of the National Association of Manufacturers which office he held in 1948, and is currently serving as Chairman of the N. A. M. Executive Committee. He is a director of the New England Grain Products Company, Boston, Mass., and a director of the Foundation of American Agriculture, Chicago, Ill. He is also director and Treasurer of the Nutrition Foundation of New York, and a member of the Board of the New York Trust Company.

* * *

The directors of **The Pennsylvania Company for Banking and Trusts of Philadelphia** at a meeting on May 14 fixed the close of business on May 28 as the record date for determining those stockholders who will be entitled to receive rights to subscribe for new shares. The issue of the rights is subject to authorization by the stockholders at the meeting to be held on that date. The subscription price will later be fixed by the directors. As stated in our April 5 issue, page 1438, a proposal to increase the authorized capital of the Pennsylvania Company by an additional 200,000 shares, from 1,100,000 shares (par $10) to 1,300,000 shares, will be voted on at a special meeting May 28.

The Pennsylvania Company for Banking and Trusts on May 14 opened its newly constructed Independence Hall office at Sixth and Chestnut Streets. This, it is stated, is the first privately-owned structure built on the new mall, which will extend north from Independence Hall to Market Street and later to the Delaware River bridge. The building is a red brick, colonial Georgian style structure and is three stories high. A modernly equipped money department is located in the basement. The first floor will be used for banking and safe deposit facilities and the second floor for conference rooms and other facilities. Heretofore, the Independence Hall office of the bank was located at 511 Chesnut Street—one of the buildings which is to be demolished to make way for the construction of the mall. In 1781, the Continental Congress, meeting diagonally across Chestnut Street from the site of the building, granted a charter to the Bank of North America, making it the first chartered bank on this continent. The institution was merged with The Pennsylvania Company in 1929.

* * *

According to the Cincinnati "Enquirer" of May 2, the stockholders of the **Second National Bank of Cincinnati** on May 1 voted to sell the assets of their bank to the **First National Bank of Cincinnati.** About 90% of the stockholders, it was stated in the "Enquirer," voted in favor of the deal, Harry W. Bauer, President of the Second National, reported, the item adding that as a result of the action, the Second National and its seven branch offices will become a part of the First National on July 1.

* * *

About the middle of June, **Philadelphia** will have a new bank, at least new in name—the bank representing the merger of two old institutions—the **Girard Trust Co.**, established in 1836, whose President is Geoffrey S. Smith, and the **Corn Exchange National Bank and Trust Co.**, David E. William, President, established in 1858. Combined assets of the two banks will total over one-half billion dollars. Pooling of the services and resources of these organizations is expected to offer many advantages to the entire community in the coming period of industrial growth. Production in the Philadelphia area will be stepped up considerably to meet the requirements of national defense. The new **Girard Trust Corn Exchange Bank** will be operated as a State bank, with membership in the Federal Reserve System and the Federal Deposit Insurance Corp.

A new board of directors will head the Girard Trust Corn Exchange Bank. David E. Williams will serve as Chairman of the Board; James E. Gowen, Chairman of the Executive Committee, and Geoffrey S. Smith will be President. Five Senior Vice-Presidents have been appointed. They are: George R. Clark and Russell J. Bauer, from Corn Exchange, and J. Malcolm Johnston, Basil L. Harlow and George H. Brown, Jr., from Girard Trust Co. References to the proposed consolidation appeared in our issues of Feb. 8, page 647, and April 5, page 1438.

* * *

The City National Bank & Trust Company of Chicago has issued expressions of profound sorrow in recording the death on April 23 of Gen. Charles Gates Dawes, Chairman of its Board of Directors. Gen. Dawes, was formerly Vice-President of the United States, and it has been pointed out, that his activities ranged from that post (under President Calvin Coolidge from 1925 to 1929) to Ambassadorship in Great Britain.

* * *

Dr. Charles Allen Thomas, President of Monsanto Chemical Co., wa selected a director of the **First National Bank in St. Louis** at a meeting of the board on May 8. He succeeds William M. Rand on the bank's board, who retired as President of Monsanto on May 1. Dr. Thomas is Chairman of the Scientific Manpower Advisory Committee of the National Security Resources Board and a member of the Science Advisory Committee to the Office of Defense Mobilization.

* * *

At the regular meeting of the Board of Directors of the **Federal Reserve Bank of St. Louis** on May 10, Frederick L. Deming, Dale M. Lewis, Howard H. Weigel and Joseph C. Wotawa were elected Vice-Presidents. Mr. Deming joined the staff of the Reserve Bank in 1941 and became Assistant Vice-President in 1948. He has been a lecturer on the School of Commerce and Finance and the Graduate School of Economics at St. Louis University at various times and is the author of articles in the field of economics. Mr. Lewis has been connected with the Reserve Bank since 1926; since 1949, he had been Assistant Vice-President. On several occasions Mr. Lewis has carried out assignments at the Board of Governors of the Federal Reserve System in Washington, the last such occasion covering the period July to December, 1950, when he served as chief of the Regulation W (Consumer Credit Administration) section there. Mr. Weigel has been with the bank as an Assistant Vice-President since 1938. Since 1949, he has been Secretary of the bank. He served for ten years as an officer of the Hoyleton State and Savings Bank before joining the Reserve Bank. Mr. Wotawa joined the staff of the Reserve Bank in 1938; before that he had worked for 14 years at the Manufacturers Bank & Trust Co. in St. Louis and its predecessor, the Lafayette Southside Bank and Trust Co. He became General Auditor of the Reserve Bank in 1946 and Assistant Vice-President in 1950. He has served as a lecturer at the Central States School of Banking at Madison, Wis.

At the same meeting, the directors of the Reserve Bank accepted the resignation of William H. Stead as Vice-President, a position he had held since 1946; before that he had served for a time as a member of the Board of Directors. Last December Mr. Stead was called to Washington to serve as economic adviser to the Secretary of the Interior on the defense programs administered by the Department, and he has been on leave of absence from the bank since Dec. 12 in that assignment. He is joining the Interior Department staff on a full-time permanent basis and will continue to act as economic adviser to the Secretary.

Putnam Exec. V.-P. Of Exchange Firms

HOT SPRINGS, Va.—Henry W. Putnam was appointed Executive Vice-President of the Association of Stock Exchange Firms at the Spring Meeting of the Board of Governors being held here, it was announced by Joseph M. Scribner, President. Mr. Putnam, formerly Vice-President and Assistant Treasurer, has been on the Association staff since June 1, 1946, and succeeds Sidney L. Parry who resigned to become associated with Chas. W. Scranton & Co. of New Haven, Conn. Mr. Parry will remain in an advisory capacity until July 1.

Henry W. Putnam

Mr. Putnam has spent his entire business career in the financial industry. During World War II he was in the Army Air Forces which he left with the rank of Major to return to civilian life. He was awarded the Legion of Merit by the late General Henry H. Arnold. He is currently President of the United States Squash Racquets Association.

Simultaneously Mr. Scribner announced the appointment of R. Michael Charters, member of the New York Bar and the Nebraska Bar, as General Counsel of the Association in addition to his duties as Secretary which position he has filled since May 20, 1948.

Mr. Scribner also announced that James S. Ording will become a member of the staff as Assistant Treasurer on June 1, 1951. Mr. Ording was on the staff of the New York Stock Exchange from 1929 to 1950 with the exception of 1943 to early 1946 when he was on leave of absence while in the United States Army. Recently Mr. Ording has been associated with Parrish & Co. in their Hempstead, Long Island office.

Hutton Adds Three

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Merritt E. Jacqua, Louis S. Kurze, and William J. Shaw have been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

With Douglass & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Nell T. Dunbar has joined the staff of Douglass & Co., 133 North Robertson Boulevard.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Stanley V. Brown has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

Joins S. B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edgar E. Beaver has become affiliated with Samuel B. Franklin & Company, 215 West Seventh Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Winston S. Watrous is with Waddell & Reed, Inc.

Impact of Changing Society On Savings Banks

By EDWARD L. BERNAYS*

Counsel on Public Relations, New York City

Public relations executive, though stating savings banks are strong today, finds they have progressively been put in a less favorable position competitively, due to changes in our society. Reveals results of a poll of savings banks' executives regarding factors affecting mutual savings bank system and the means of improving their position.

In the last 30 years, mutual savings banks have had a steady growth, from $5 billion to $20 billion. They have doubled their number of depositors from 9 million to 20 million. They have helped to take care of the needs of a growing urban population, against the hazards of unemployment, accident, illness and death. But at the same time that they have been growing, other thrift services have developed and have curtailed what would have been a much greater growth.

Edward L. Bernays

Savings banks are strong today, but not as strong relatively as they were 10 years ago or even 100 years ago. Savings banks have been put progressively in a less adequate position competitively. Indications point to a continuance of this trend unless something drastic is done.

A Poll of Savings Bank Executives

We wrote to you to find out from you what were, in your estimation, the reasons for the present situation, what you offered as a solution, and which of them you found successful. With this as a basis, we could then present to you our recommendations based on our experience in comparable problems to cope with the situation.

We divided the questions we asked you—the Presidents of savings banks—into two parts.

The first had to do with factors affecting the status of the mutual savings bank system; the second with possible solutions, proposed or proven to improve the position of mutual savings banks.

We took this tack to find out *causes* and *solutions*, recognizing that your opinions and experience might be helpful in setting future patterns for your action.

As to causes, you attributed the decline in the relative share of mutual savings banks in total savings, to *increased competition* and to the *limited geographic areas* in which you are permitted to operate.

Specific types of competition mentioned most frequently were Federal Savings and Loan Associations, mentioned by almost half our respondents; U. S. war and savings bonds mentioned by 25%; commercial banks by one-sixth; life insurance by one-sixth; postal savings by one-eighth.[1]

Other types of competition mentioned in order of frequency were open-end investment trusts, investment trusts, social security, and building and loan associations.

Two-fifths—40%—of you blamed the decline on your limited geographic areas; one-sixth on lack of aggressiveness and promotion.

Other factors blamed—in order of frequency—were legal restrictions, general complacency, higher rates of interest, inflation, lack of FDIC coverage, misleading government advertising and the Korean situation.

Local areas blame for declines in your relative share paralleled the above.

You were asked to number in order of importance various factors contributing to the decline of savings banks.

One-fifth of you placed savings and loan associations first; and another fifth placed geographic shifts in population first. One-sixth considered "E" Bonds most to blame; one-tenth, commercial banks. Next came restrictive state legislation and lack of aggressiveness. Other factors listed by you as of first importance were lack of trained personnel, life insurance companies and postal savings.

You attributed increased competition from other savings institutions throughout the United States to a variety of causes.

Three-fifths of you attributed it to higher interest rates. One-fifth blamed convenience of competitors in locations not served by savings banks; and another fifth blamed poor advertising. 16% of you said more agressiveness on the part of others; another 16% said savings and loan associations.

Government savings bonds and more liberal lending policies each were mentioned by 10%.

Others factors listed in order of frequency were less restrictive legislation, commercial bank profits, better mortgage packages, life insurance, progressive top management, better public relations, FDIC, crusading from Washington and modern banking quarters. The local picture varied only slightly.

60% of you felt that mutal savings banks have difficulties in finding suitable investments; 40% said no.

Three-tenths—30%—of you blamed these difficulties on legal restrictions; 20% on the lack of suitable mortgages; 10% on conservatism.

Other causes—in order of frequency—were low rates on investments imposed by law on savings banks; "municipal bonds out of reach"; artificial rates in government competition; small porportion of suitable corporates available; inertia; much larger volume of institutional and trust funds seeking investment; private lending by insurance companies; publicity on G.I. and FHA mortgages; "not trying hard enough for mortgages"; no progressive leadership; savings and loan competition; your anomalous position as banks for savings but unable to pay deposits on demand.

You were not as unanimous in giving the factors which you thought appealed to depositors in savings accounts.

40% of you rated security as most important; 25%, convenient location; 16%, availability of savings.

Next in frequency was the rate of interest. This was mentioned as most important by 8%.

Other factors mentioned as most important, but with very low frequency were highly trained and pleasing personnel; small loan privileges; friendly atmosphere; services; general and specific personal objectives; confidence in the bank's records.

Despite the decline and your reasons for it, 75% of you believed savings banks would grow for the following reasons, in order of frequency: confidence of the public in your institutions; momentum of thrift inclination, which, however, you think will not affect you as favorably as your competitors; America's economic program and increased payrolls; the excellent service given the public; the energy, ability and desire of your managements to grow and to see the mutual savings bank system expand; and new fields of activity.

While you gave us a rather negative competitive picture, you indicated your keen awareness of it in the way you are tackling the problem.

Asked whether mutual savings banks should offer more services to their communities, 80% of you said YES and only 16% NO.

You were then asked what your own bank was doing along these lines on an immediate basis. About 33% of these who replied have established school savings accounts and Christmas Clubs. About 20% have money orders and additional banking hours. Another 20% simply said they have added services. 14% have savings bank life insurance, and 10% have safe deposit facilities, personal loans, mortgages and life insurance loans.

Only half—50%—of the respondents answered the question as to what you were doing in regard to additional services on a long-term approach. Of those who answered, the largest group—12%—said they added services as the need developed.

About 75% of you agreed that mutual savings banks should pay a higher rate of return to depositors. About 50% of you said that you have already increased your interest rate. Some 12% said you were increasing your mortgage portfolios for this purpose.

Others said—in order of frequency—that you were building up earnings where you could maintain a 2% dividend rate; maintaining rates commensurate with other banks; supporting views for a free security market; extra dividends; trying to liberalize the investment fields; developing a five-year program to increase earnings.

Others said they were already paying the highest possible interest rate or that they pay the maximum premitted by law.

Asked whether you thought mutual savings banks should accumulate new mortgage investments to augment earnings, all but one of you said YES. More than one-third said that you have already increased your mortgage portfolios.

90% of you agreed that you ought to explore the possibility of opening new branches where the opportunity to do so exists by statute. One-fourth of you said you had already opened new branches. One-sixth—16%—were in the process of opening new branches or were planning to do so.

Again, 90% of you felt that mutual savings banks should be extended into states where none exist at present. In suggesting how this should be done, 25% of you said by legislation; 25% said by converting savings and loan associations into mutual savings banks; and 16% said it should be done through the National Association of Mutual Savings Banks.

90% of you thought that an all-round thrift program should be stressed for all communities which now have mutual savings banks. Asked what your own bank has done along these lines, you said you have been relying on advertising, school savings, payroll savings, solicitation, club saving accounts, and direct contacts with industrial plants.

With only one exception, all of you reported that you have been successful in these efforts.

Almost unanimously, you agreed that mutual savings banks ought to make more effective attempts to secure new business, both in regard to customers and in regard to sound investments.

Asked what your own bank was doing along these lines, 50% of you said you were advertising; 10% said you have improved your service.

Of those who answered this question, 66% thought these efforts were successful.

All of you, without exception, thought that public relations ought to be a continuing, vital force in the mutual savings bank system.

In regard to your present activities along these lines, 16% of you said you were advertising; 10% engage in community activities; 10% rely on efficient, courteous service. You mentioned other public relations activities.

Asked what types of new business your bank had developed, 40% of you said you had Christmas Clubs; 30% had savings bank life insurance; 25% had school savings; and 16% had vacation group accounts and safe deposit boxes.

You also mentioned other types of business in which you are engaged via your bank, but you said that you were not engaged in as many activities as you thought you should enter.

With what you have told me as a basis, what recommendations do we have for you?

Well, as leading executives of the mutual savings bank system in the United States, you are like most people actively engaged in a business. You have a better understanding and greater recognition than anyone else could possibly have of the CAUSES of your present problems and of possible SOLUTIONS for these problems.

To begin with, you are aware of the realities of the situation. You know there has been a decline in the relative share of the mutual savings banks in the total savings of this country—from 21.1% of all savings in 1920, to 18% in 1940, to 16.1% today.

Furthermore, you not only understand your problem, but are in general agreement both as to its causes and as to the methods by which you can cope with the situation.

More than that, you have, as individual banks, actually adopted dynamic methods for coping with your problem.

All this is a tribute to your insight and foresight, and an asset of the greatest importance in any further steps you may take.

At the same time, however, your answers to the questionnaire indicate that you are not doing as much to solve your problem as you yourselves recognize NEEDS to be done.

We are all naturally conservative at heart, and it often happens that there is a considerable gap between what we know OUGHT to be done and what we ACTUALLY do.

Your own analysis of your problem—as revealed by the questionnaire—shows that you are aware of the tremendous job to be done. This, it seems to me can only be done by a broad, cooperative effort on a voluntary basis if your problems are to be solved.

Such a cooperative effort would add the power of joint action to the individual action you are already taking.

Logically, this effort should be made through your National Association of Mutual Savings Banks. It seems to me the situation requires that your Association be endowed with the manpower and the funds necessary for achieving the goals you have outlined in your answers to the questionnaire.

Here I should like to recommend two important goals which you can work for cooperatively through your Association. These goals are:

(1) To educate public opinion in the nature, function and importance of the mutual savings bank system to our American economic pattern. By helping the American people to become aware of these public interest aspects of mutual savings banks, you will have public opinion on your side in your attempts to meet your problem.

(2) Only through an integrated public opinion can you obtain legal sanctions to make the mutual savings banks meet their problems.

Judging by your own analysis of the situation, this two-pronged effort should go a long way toward helping you meet your problems in this swiftly changing world.

*Talk by Mr. Bernays at the Annual Conference of the National Association of Mutual Savings Banks, Atlantic City, N. J., May 9, 1951.

1 In these statistics, percentages quoted do not add up to 100 per cent, due to the fact that many respondents mentioned more than one factor.

NYSE Elects Crooks Chairman of Board

Richard M. Crooks, a partner of Thomson & McKinnon, was elected Chairman of the Board of Governors of the New York Stock Exchange. He succeeds Robert P. Boylan, Chairman for four one-year terms, who announced his retirement more than a month ago. Mr. Crooks will formally take office on Monday, May 21.

Richard M. Crooks

Mr. Crooks has been a member of the Exchange since 1941 and a Governor since 1946. He is 45 years old and lives at 192 Fairview Avenue, Jersey City, N. J., with his wife and four children.

Five new governors were also elected to the Board: Edward F. Becker, McDonnell & Company; Henry Upham Harris, Harris, Upham & Co.; John L. Loeb, Carl M. Loeb, Rhoades & Co.; Edward Hopkinson, Jr., Drexel & Co. (Philadelphia); Edward T. Rotan, Rotan, Mosle & Moreland (Houston). Other governors elected were John A. Coleman, Adler, Coleman & Company; William E. Hutton, W. E. Hutton & Company; T. Jerrold Bryce, Clark, Dodge & Company; and Albert P. Everts, Paine, Webber, Jackson & Curtis (Boston). Elected Trustees of the Gratuity Fund were: John Rutherfurd, at Joseph Walker & Sons; John K. Starkweather, Starkweather & Co.; Charles B. Harding, Smith, Barney & Co.

The Nominating Committee elected consists of: Thomas H. Benton, Benton & Nicholas; Abner Bregman, at Bear, Stearns & Co., Bertram F. Fagenson, Ungerleider & Co.; Charles C. Lee, George D. B. Bonbright & Co.; John J. Phelan, Nash & Co.; Robert F. Whitmer, Jr., Mitchell, Whitmer, Watts & Co.; Charles L. Bergmann, R. W. Pressprich & Co.; E. Jansen Hunt, White, Weld & Co.; Walter W. Wilson, Morgan, Stanley & Co.

Paul Lee Co. Formed

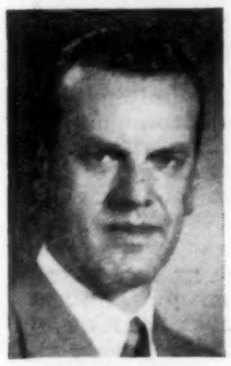
BROOKLYN, N. Y.—The Paul B. Lee Co. has been formed with offices at 635 Vermont Street, to engage in a securities business.

Joe Reznik Opens

EVANSVILLE, Ind.—Joe Reznik is engaging in a securities business from offices at the Wright Building.

NY Municipal Bond Club Gets Slate

The nominating committee of The Municipal Bond Club of New York has presented the following slate of officers to be voted upon at the Club's annual meeting at The Sleepy Hollow Country Club on June 15: David T. Miralia, President; David B. McElroy, J. P. Morgan & Co., Incorporated, Vice-President; J. Bradley Green, Guaranty Trust Company, Secretary; John W. de Milhau, Chase National Bank, Treasurer; and Thomas F. Adams, Adams, McEntee & Co.; and E. Norman Peterson, Equitable Securities Corp., for members of the Board of Governors to serve three years.



David T. Miralia

The nominating committee is composed of David H. Callaway, Jr., Trust of Michigan Corporation; Monroe V. Poole, Geo. B. Gibbons & Co., Inc.; and William H. Morton, W. H. Morton & Co., Inc., Chairman.

Abbott, Proctor, Paine To Admit Partners

Abbott, Proctor & Paine, members of the New York Stock Exchange, on June 1 will admit Leon Mayfield, James B. Hart and Daniel H. Ryan to partnership. Mr. Mayfield will make his headquarters at the Richmond, Va. office, 911 East Main Street, with which he has been connected as associate manager. Mr. Hart and Mr. Ryan will make their headquarters at the New York office, 14 Wall St.

Edward J. Walz Opens

BRYN MAWR, Pa.—Edward J. Walz is conducting an investment business from offices at 572 Lancaster Ave.

Kenneth G. Colby With Lamont & Company

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Kenneth G. Colby has become associated with Lamont & Company, 89 State Street. Mr. Colby was formerly with Shields & Co. and F. L. Putnam & Co., Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues quiet, with only minor price fluctuations, at or near the lows of the year. The passing of the call of the 2s due 9/15/51-53, has, however, thrown another element of uncertainty into the money markets. According to the testimony last Friday of Federal Reserve Board Chairman Martin, before the Senate Banking Committee, the Federal Reserve support of Treasury bonds, due to the failure to call the 2s, has been negligible (less than $10,000,000). This is understandable because reports from government circles indicate volume has been very light. There are nonetheless practically no buyers of size around for government obligations, aside from the shorts, although tight money conditions are affecting these securities to some extent. Federal, it should be noted, however, is evidently ready to supply hid-and-seek support to the market, in order to keep it orderly. For the time being at least, it seems as though the Central Banks are not going to have too much competition as far as acquisitions of long bonds are concerned.

If the prospects of controlling inflation are better now than at any time since Korea, as contended by Federal Reserve Board Chairman Martin, is there such need for drastic monetary action? Nevertheless, it seems as though the government securities market has become one of the pawns in the struggle to combat the inflationary forces.

Market Confidence Impaired

Set back on its heels by the passing of the first call for the 2s due 9/15/51-53, the government market is wobbling around, trying to get its equilibrium after a second body blow. There seems to be very little doubt but what confidence has been badly shaken again by the recent action of the monetary authorities. It is evident that the lawmakers are also giving some attention to what has happened to prices of government obligations because Federal Reserve Board Chairman Martin was questioned recently by Chairman Spence of the House Banking Committee about the Reserve's Board's policy with respect to the government market. Chairman Martin, according to reports, stated the Reserve does not intend to support prices of government bonds on a pin-point peg, which probably means not at any set level. He added that neither does the Reserve intend to let the market go completly on its own, with regard to orderly conditions. If we did that, the speculators would be in control and not the forces of supply and demand. So much for this part of the testimony by Federal Reserve Board Chairman Martin, and although it makes official the Reserve's position on the support of government securities prices there is very little that is really new or unusual in these statements.

Martin Seeks More Controls

It does seem, however, as though other remarks by Reserve Board Chairman Martin, before the Senate and House Banking Committees, throw more light on the subject and may explain in some measure the passing of the call of the 2s of 9/15/51-53. Chairman Martin, according to testimony before the Committees, is very much concerned about further inflation and wants not only the extension of existing credit controls but may also ask for new ones, all of which would be used to combat the inflation. It is evident that the Federal Reserve Board wants to make accessibility and availability of Reserve Bank credit more risky and more costly. This would be one way in which a limitation or curtailment on loans would be brought about. With this, however, comes an increase in interest rates, which has been evident throughout the list. While there is no doubt about the good features of curtailing the accessibility to Reserve Bank credit for loaning purposes this may also be carried too far. There are levels where it might yet be profitable to sell governments and put the proceeds in non-Treasury obligations because the rate of return on the latter issues will have risen enough to still make it a worth-while switch. Inflation, in the opinion of many money market followers, cannot be successfully fought by the level of interest rates. If inflation is to be combated effectively, it is believed that the rate and level of government spending is the best place to start from.

With the Federal Reserve Board evidently very fearful of the inflation, and wanting to limit, curtail and further restrict credit, the rate of interest on government obligations becomes less of a concern to them. With this idea in the forefront, it is understandable that they would not be averse to letting the 2s of 9/15/53 go past the first call date. Also committees representing the American Bankers Association and the Investment Bankers Association, according to advices, were in favor of passing up the call of the September 2s of 1951/53. Since there is a voluntary credit limiting program being carried out, the Federal Reserve Board would not be exactly in a favorable light if it went against the recommendations of these two committees as to what should be done about calling the 2s.

Treasury's Position

As to where the Treasury stood in the matter of retiring the 2s of September 1951/53, on the first call date, there has been no murmur from that source at all. Nonetheless, it is believed they would have gone ahead with the call on May 15, if they had been in the driver's seat. It is evident that a one-year obligation could have been offered in exchange for the 2s of 1951/53 and there would most likely have been even a minor saving in interest charges. The Treasury, according to those that are supposed to know, does not share the views of the Federal Reserve Board and its advisors on inflation and the methods of halting it. It is believed the Treasury takes a more moderate stand on the inflation and that less drastic monetary measures would serve the purpose just as well.

Another shock has come to the government securities market with the passing of the first call date of the 2s of September 1951/53 and with it comes a new pattern of rates. The yield on all Treasury issues, save for the partially-exempts, will now have to be figured to maturity instead of the first call date. Another deliberate type of uncertainty has been injected into the money markets, by Federal, in an attempt to combat the forces of inflation.

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Equity Investments For Savings Banks

provide that a savings bank would invest 3 per cent of its resources in common stocks. When the market declines so that the common stock portfolio is worth less than 3 per cent of assets, additional shares will be bought. When the market rises so that the common stocks are worth materially more than 3 per cent, sales of stocks will be made to restore the 3 per cent ratio. It will be seen that this means buying on a decline and selling on a rise, always a sound principle of investment.

(3) **Establishment of reserves against losses.** It is highly desirable to use part of the added income from risk investments generally to set up a reserve against future loss. This is sound investment practice and sound banking practice. Because the yield on common stocks is so high, reserves for them can be built up all the faster. Moreover, capital gains when realized can be added to reserves, building up a larger cushion to absorb adverse market fluctuations when these occur.

While prices of common stocks, and dividend payments, are relatively unstable, long-pull investors like financial institutions have found that stock prices recover from the low levels of a depression within a few years. The exception was the boom of the 1928-30 period, when stock price averages reached a peak that has not yet been equalled. However, an institution that would have spread its purchases of common stocks over a number of years, including that boom period, would have found that its paper losses were eliminated by the middle 1930's, and it would have shown substantial gains in the decade of the 1940's.

What About Future Price Fluctuations?

The widespread belief that fluctuations in common stock prices in the future may be less extreme than in such periods as 1928-33 is based in large part upon the following basic considerations:

(1) Margin purchases of stocks are limited by Federal Reserve regulation. It was frantic purchases of stocks with billions of dollars of borrowed money in the late twenties, followed by forced selling because of impairment of margins in the depression, that made the swings of the market so wide at that time. Under Regulation T and Regulation U of the Federal Reserve Board, brokers' loans have been kept relatively small. They can be eliminated almost entirely by setting margin requirements at 100 per cent, as was done for a time following the war.

(2) Commercial bank failures, which did so much to depress all values in the early 1930's, have been practically eliminated by the many measures that have been taken since 1933 to strengthen and buttress the banking system.

(3) The Full Employment Act of 1946, and the policies likely to be adopted under it, make less likely a repetition of a depression so severe as that of the early 1930's. The danger now is not so much periodic deflation, feared in the past, but chronic inflation.

(4) American corporations have greatly added to their strength in the past two decades by accumulating very large liquid reserves in the shape of cash and government securities, by reinvesting earnings on an unprecedented scale, and by refraining from expanding debt to any large extent. They are thus in far better position to withstand adversity.

The high rate of return provided by common stocks, in fact, may permit a reduction, rather than an increase, in the over-all risk incurred in its portfolio by an institutional investor. A higher proportion of non-risk investments, and a smaller proportion of risk investments, would be required to realize a given rate of return.

Thus, a mutual savings bank seeking to earn 3¼ per cent on new deposits could hardly earn this much by investing entirely in corporate bonds at current prices. It could realize this rate of return by putting half of new money into mortgages giving a net return of 3.75 per cent, with the rest going into government bonds yielding almost 2.75 per cent. But if equities with a yield of 6 per cent are bought, a 3¼ per cent average yield could be obtained by putting almost 85 per cent of new funds into governments, and not much over 15 per cent of the deposit gain into common stocks.

Savings banks have more exacting investment requirements than other financial institutions. Holding deposits subject to withdrawal at any time, they require a higher degree of safety, liquidity and market stability for their portfolio than do life insurance companies, pension funds and personal trusts. But, like other institutions, they want to realize the best rate of return obtainable consistent with high standards of safety and stability, in order to be in position to pay an adequate dividend to depositors and to add to surplus from year to year to provide a cushion of protection for the future.

Equity investments, properly selected and timed, can add to the over-all rate of return provided by portfolios of mutual savings banks, as of other institutions, without material increase in risk. The need for them is not pronounced just now, since the unprecedented building boom of the past year provided an ample supply of mortgages. But there are many indications of a decline in building activity, and a reduced supply of institutional investments ahead, while savings should expand again as people spend less on consumer goods following the buying spree of the early weeks of the year. When additional institutional investments are again sought after, equities, properly selected and administered, provide a helpful supplementary outlet for funds.

Mutual savings banks, like other financial institutions, can rightfully ask that they receive authority in all states to invest a part of their surplus in selected equities. A classic argument for the grant of such statutory authority by state legislatures is to be found in the report on equity investments of the Committee on Savings Bank Investments of the Savings Banks Association of the State of New York.

Once given this statutory authority, each savings bank can decide for itself if and when it wishes to invest a part of its surplus in selected equities, to take advantage of the higher yields and the benefits of large retained earnings that equities offer.

Pennaluna Partners

WALLACE, Idaho—B. A. Harrison, H. F. Magnuson, C. W. Spekker, and Mary J. Semenza are now partners in the firm of Pennaluna & Co., 413 Sixth Street.

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There'll Be Some Changes Made

conversion of income bonds ever took place.

Here again our thumbnail sketch suggests that two shares, currently tagged as a toss-up in the market, have really important submerged differences. It will be fun to watch the market race between GFO and FN. As a rail-bird, I make GFO the favorite — and a year hence my hunch guess would be that they'd be at least five points apart. (A giraffe doesn't do a better job of sticking his neck out than I'm doing.)

Another pet theory I've been nursing along is that some of the tobacco stocks haven't any particular place to go. A pretty saturated market, a projection bordering on the static, and a vulnerable situation tax-wise. It just seems that every time Congress looks around for more taxes, the first thing they think of is another penny a pack on cigarettes. And that kind of a tax has an annoying habit of not boosting sales.

So in further developing my theory of the necessity of occasional change—of switching to a better horse—I have nominated for disposal and replacement American Tobacco at around 64. It may seem a little tough saying good-bye to this old standby, paying $4 today (earning $7) and with a record of some dividend in each year since 1905. But we all know the dollar is shrinking, and static investments will not maintain purchasing power. So we cast about to see if on even market terms we can maintain income and latch on to a rosier future.

How about Kern County Land Co. at 64? It seems to fit perfectly, although I must say you could hardly come upon two more diverse values than KCL and AT. But let's look closer. AT pays $4 a share; KCL has paid $4.50 for the last two years. AT may have a tough time duplicating last year's earnings; KCL should do better. The oil industry is as dynamic as they come, and KCL is a bigger oil producer every day. Almost 1,900,000 acres owned, and only a little fraction of it bringing in at the annual rate of $6.50 a share on 2,000,000 shares.

So it occurs to me that on current appraisal a sale of AT and purchase of KCL—even Stephen —would not be madness. It's always hard to give up a standard old favorite, a steady old dividend payer. Yet when you recall Central of N. J. 22 short years ago —a king-size blue chip selling near 300—and look at it around 21 today without benefit of dividend for two decades, your stubbornness wilts a little. You recognize the necessity for change, as occasion and logic dictates. Old stocks never die but sometimes they fade pretty badly!

You have today been offered a series of novel comparisons offering the general theory that stocks equal in price today are by no means equal in value, or in future performance. The facts given have, of course, just been roughed out —you have the clay model, not the bronze bust! But in each case some logic has been marshalled to justify the exchanges; and you may find some fascination in watching how they all work out. There's a matinee every day!

Also it is hoped that this comparison method may catch on with you; that the next time you are looking over your list, you may ask yourself "Is X stock the best value of securities in its price range?" If the answer is no, then you too may agree "There'll be some changes made."

Continued from page 10

Rising Prices snd Costs—Real Causes and Consequences

of figures showing the loading of the Federal Reserve and the nation's commercial banks with government paper. U. S. Government securities represented less than a third of total Reserve Bank earning assets in 1929, but have been consistently above 90% since the mid-thirties. The principal form of our circulating currency is Federal Reserve notes. Since 1944 between 40 and 60% of the collateral behind them has been government debt.

Government debt is now about half of the total earning assets of commercial banks, as compared with approximately three-quarters at the height of the last war, one-third in the mid-thirties, and 10% in 1920. Government securities owned by commercial banks were slightly over twice their capital accounts in 1938 and are more than five times now; and government securities owned by Reserve Banks are now more than 20 times the capital accounts of the Reserve Banks as against less than nine times in 1938 and equal to their capital in 1920. The banking system owned in 1950 over $80 billion in government debt, or about one third of the total outstanding.

Enough has been said of the dangerous consequences of converting liabilities into seeming assets by putting debt into circulation as purchasing power, without corresponding saving and production. It would also be timely to bear in mind the passing illusions of added strength and progress which are almost inevitably created by cheapening money.

Thus we pride ourselves on the great build-up in Americans' liquid assets, as represented in currency, bank deposits, savings and loan shares, life insurance reserves and United States government securities, which, however, on a per capita basis have declined by more than a quarter in actual purchasing power since 1945, after deducting the load of rising consumer debt. In like manner we tend to exaggerate the actual earnings of business corporations, because of the inclusion of fortuitous inventory profits and the inadequacy of depreciation allowances charged to expenses in times of soaring material and construction costs. So, as well, we fancy ourselves rich in dividends, whose total purchasing power, in goods and services, nevertheless, rose but little if any in the 20 years from 1930 to 1950, despite the great rise in capitalization, the substantial increment in business activity, and the encouraging gains made by labor; while as a source of personal income for the people of the United States, dividends fell from about 7% of their total income in 1929-1930 to little more than half that proportion in 1949-1950.

No "Storm Shelter" Against Inflation

In short, there is no adequate storm shelter for anyone in a period of inflating costs. The bell tolls for the procurement agencies of government, for the whole business community, as well as for the insurance holder, the savings bank and savings and loan depositors, and for workmen fighting for retirement pensions. We face this infection of the entire economic organism, through the poisoning at its source of the dollar, the people's medium of exchange and store of value. This is our fifth column, our ever-present domestic enemy.

To diagnose the ill is in this case to prescribe the treatment. The patient fortunately is still in robust condition. He is able to meet his commitments if only he can get into his stride.

Public and family budgets must be rigorously controlled. As taxes increase they should make less attractive all non-essential business expenditures; they should be based upon earnings realistically calculated. They should take the form of general national taxes on retail transactions, as well as personal and corporate income levies and excise charges. These retail taxes should be applied on all commodities beyond the reasonable necessities of food, clothing and shelter, and thus encourage thrift as they discourage spending.

As we tighten our belts on personal consumption, and cut to the proverbial bone all unessential governmental outlays, the prospect opens up of restoring and maintaining balanced budgets — and even of repaying debt, unless the calamity of total war overtakes us. The dangers of total war will decrease as we build toward the full scope of our potential growth. Government obligations can be lifted from the banks and held by individual and institutional savers, thus no longer continuously diluting the nation's money. We can move resolutely toward a fully convertible gold standard which is both a condition and a by-product of these time-tested policies of national solvency; for without a solid gold metal core for our money, the monetization of debt and the loss in the dollar's purchasing power can proceed without let or hindrance.

Fred Kane Joins Loewi & Co.

MILWAUKEE, Wis. — Loewi & Co., 225 East Mason Street, has expanded its institutional and industrial loan department, J. Victor Loewi, President, has announced.


Fred E. Kane

Loewi & Co.'s industrial and religious institutional loan business has become national in scope. This has necessitated broadening its organization for handling this type of business. The industrial and institutional loan activities will now be headed by Fred E. Kane, who comes to Loewi & Co. from the Northwestern Mutual Life Insurance Company. Mr. Kane has been associated with Northwestern since 1933, and has handled their institutional loans for the past four years.

Joins Uhlmann & Latshaw

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — John J. Strandberg has joined the staff of Uhlmann & Lathsaw, 111 West 10th Street, members of the New York and Midwest Stock Exchanges. He was formerly for many years with Harris, Upham & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The general firming of interest rates which has taken place within the past year is one of the most significant developments to occur in the banking field. These changes in the interest rate structure are the result of changes in the economy and the necessity on the part of the monetary authorities to restrict credit expansion.

These developments are of primary importance in banking operations. The higher interest rates enable the banks to obtain a better rate of return from their earning assets. Of possibly greater significance from the longer term point of view, and as part of the program of general credit restraint, is the fact that the Federal Reserve has introduced a measure of flexibility into the interest rate structure that has not been in evidence for over a decade.

This program of restricting loan expansion through general credit policies began last summer and is still going on.

The Federal Reserve in the middle of last year began to press for higher short-term rates by reducing the price or increasing the discount at which it would market bills, notes and certificates. Other measures designed to restrict credit expansion which were taken by the Federal Reserve included raising the discount rate and increasing the reserve requirements of member banks.

This pressure for higher rates continued throughout 1950 and into the current year. An indication of the change which has taken place is evident from the rates on Treasury bills. For July of a year ago, the rate on new Treasury bill issues was 1.172%. The rate on the latest issue was 1.626%.

Other interest rates followed a similar pattern. The prime commercial rate in New York was increased from 2.00% to 2.25% in September of 1950 and to 2.50% in December. Long-term government bonds which had been protected at around par during the initial phase of the change were allowed to decline below that level in March. The increase in yield over the year was considerable. The longest ineligible, which yielded around 2.40% in June, 1950, declined to where the yield had increased to 2.66% by May 1, 1951.

The purpose of these actions of the Federal Reserve was to make the securities more attractive as investments for individuals and nonbank investors, thus preventing their sale to the Federal Reserve System which would provide additional bank reserves to be used for further credit expansion.

These efforts to increase the cost of money and reduce its availability are still being exerted. As the armament program increases in intensity, it is expected that there will be a further buildup of inflationary pressures. As a result there is likely to be additional credit restrictions imposed as well as greater voluntary restraint adopted by lending institutions.

One of the most important factors in this connection affecting banks is the proposal for higher reserve requirements. The Defense Production Act of 1950 will expire on June 30. There is little question that it will be extended, although there are likely to be some important changes.

The authority for higher bank reserves, either in the form of cash or a special reserve, is one of the proposals which seems likely to be approved. The monetary authorities as well as the production officials of the government have indicated their approval of such a program. For this reason it seems likely that increased authority in some form over bank reserves will be forthcoming.

Another development likely to result from present policies and economic conditions is a further adjustment in some of the basic interest rates.

Within the past week a number of the New York banks have announced increases in the rates for call loans and loans for the purpose of carrying securities. There have also been indications that another change, possibly to 2.75%, may be made in the prime commercial loan rate.

With the demand for money maintained at a high rate, the volume of loanable funds being restricted, and inflationary pressures present in the economy, it is likely that this adjustment of interest rates will continue.

With Security Assoc.

(Special to The Financial Chronicle)

WINTER PARK, Fla. — Thomas J. Morrison has been added to the staff of Security Associates, 137-139 East New England Ave.

With A. Kahle Co.

(Special to The Financial Chronicle)

CLAYTON, Mo. — George H. Kahle has joined the staff of A. Kahle and Company, 50 South Central Avenue.

With R. H. Johnson

(Special to The Financial Chronicle)

BOSTON, Mass. — Thomas F. McCarthy has become affiliated with R. H. Johnson & Co., 70 State Street.

Now F. B. McMahon Co.

DALLAS, Tex.—The firm name of Almon and McMahon, Inc., Mercantile Securities Building has been changed to Frank B. McMahon & Co.

Securities Salesman's Corner

By JOHN DUTTON

The Program Sale

(Article 2)

After you have qualified your prospect by determining that he is primarily the investor type rather than a speculator for the quick turn, and you have made an appointment at a time and place where you can have his uninterrupted attention, you are ready to begin your sale. But before you start to sell a "program of investment" you must do one more thing. You must have the proper attitude yourself.

Conviction Follows Knowledge

You can't be luke-warm about anything and make it ring true. Unless you believe that over a period of years, a well planned program of investments, designed to fit the investor, and constantly supervised thereafter, is just about the best and only assurance of success for the average person, don't try to sell anyone a program. I can't convince you or anyone else that this is so. Personally I believe it. But you will have to sell yourself on it. You can read the results of others who have made a go of such a plan. You have the insurance companies, investment funds, colleges, large estates, etc., to guide you—they use a planned program. They do it the long-pull way. They diversify, and keep balanced between stable assets such as cash, short-term bonds, high-grade preferreds, and common stocks. They adjust these ratios in keeping with the business and financial outlook. They make some investments too that don't turn out so well, but they look at the overall results over a period of many years. If you can do this and believe in such a plan, you can then convince others that they too should follow it. But you first must **believe.**

Set the Stage

When you sit down with your prospect assume the attitude that you are there to help him. And believe that too. If you know your business you will speak with convincing restraint but he will know that **you know.** But don't try to sell him anything. Let him have the ball. Put him at ease. Settle back in your chair and after you have completed a few questions about general topics, his home, his golf game, or what have you, tell him that he can be sure anything you discuss will be confidential. Be casual about it and be brief. Then ask if you might ask him a few questions. Open up the flood gates. All day long he has been warding off people who were trying to sell him, convince him, or out-talk him. If it wasn't a salesman for some other firm it was his associates in business, his wife, or his golf partner. Turn the tables on him, **let him talk for a change.**

But you guide the talk by asking questions. Start out, "Mr. Investor, you have mentioned that you own some securities; just what do you want the stocks and bonds you have now to do for you? Are you interested mostly in income —in capital gain—or always considering safety; are you interested in all three?" He'll start to talk. He will begin to tell you about this and that stock. He may ask you a few questions. If you know the answers tell him that you want to give him a real diagnosis of his entire situation and you will come to that in a moment. Tell him to go on and you will make a note to answer the question a little later on. Get out your pencil and paper and write down pertinent facts as he goes along.

What to Ask Your Prospect

How old is he — does he have any dependents—what business is he in—how much income does he have from his securities — how much from other sources—would it stop if he were to become ill—how is his health? These are just a few samples. After you get him started you will have no trouble obtaining the answers. It is a new approach to him. He is now the center of the stage, it is his show; and at last he has a man interested in his welfare to the extent that before he starts to sell him some securities, he wants to **find out how much risk he can take.** And tell him that is the reason you want to know these things — explain that it isn't because you are curious or want to pry into his affairs. "I am like the teller in the bank, Mr. Investor, it is just so many nails to me. It doesn't make any difference to me if a man has a million, or a hundred dollars, but you can understand how important it is going to be to you, if I am going to help you do a better investment job, that first of all we get to know each other. You can understand that what is one man's feast is another man's famine. In fact some of the greatest investment mistakes ever made were caused by the right stocks going to the wrong man — both have to be right and then you will make a go of it." Tell this to him in your own words if you don't care for mine. And you can believe it too, because it is the sad fact that too many people never have proper investment advice only because their advisor **didn't know their needs and their situation.**

Next week in article 3 we will develop this sale farther. Remember, it is his show. Get him to talk about his affairs but you guide him by subtle questioning.

With First Trust

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Lawrence E. Baron has become affiliated with The First Trust Company of Lincoln, 10th & O Street.

With Mansfield Co.

HARTFORD, Conn.—Henry E. Sweet is now associated with Mansfield & Co., 49 Pearl Street.

THEN and NOW . . .

Guess Who? **If You Can't Turn to page 29**

(A)

Continued from page 14

The Treasury, the Federal Reserve, and a Stable Currency

tain of the basic requirements if they are to be attained, we may consider the Federal Reserve System of our own country. It seems to me that there has grown up in this country in the last 15 or 20 years an entirely erroneous impression of the purposes underlying the creation of the System. The purposes of the Congress and the Woodrow Wilson Administration are well expressed in the heading of the Federal Reserve Act, which reads as follows: "An Act to provide for the establishment of Federal Reserve Banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes." Woodrow Wilson, Carter Glass, and the political leaders of both parties of that period were sound money men who believed in the full gold standard and the full redemption of every promise of the government. The present purposes as interpreted by the Federal Reserve Board are so different as to be worthy of special notice, and are best expressed in the book issued by the Board in 1947 under the title "The Federal Reserve System, Its Purposes and Functions." The first paragraph of the first chapter reads as follows: "On December 13, 1913, President Woodrow Wilson signed the Federal Reserve Act establishing the Federal Reserve System. Its original purposes as conceived by its founders were to give the country an elastic currency, to provide facilities for discounting commercial paper, and to improve the supervision of banking. Over the years, the System has developed a broader objective, namely, to help prevent inflations and deflations, and to do its share in creating conditions favorable to sustained high employment, stable values and a rising level of consumption." It is my belief that these newly conceived purposes of the System could easily lead to the adoption of policies incompatible with the sound theory of Central Banking.

It is all very well to try "to prevent inflations and to do its share in creating conditions favorable to sustained high employment, stable values, and a rising level of consumption," but such attempts should never be carried to the point where the solvency and integrity of the circulating medium of the country should be destroyed or impaired. Even though the efforts of the System to accomplish those purposes have already seriously threatened the solvency of our currency and have brought about an incipient "flight" from money into material things, I doubt if anyone would claim that they have prevented "inflation" or created "stable values," although we have had "high employment and a rising level of consumption." These last two achievements are always present during the earlier stages of currency inflation, but cannot be permanently sustained for the very sufficient reason that the indefinite continuance of the inflation of the currency ultimately brings a complete loss of confidence in its future purchasing power and, in turn, a complete collapse of the economy.

I could continue at considerable length a discussion of currency and Central Bank management, but I must not completely ignore the subject which I was invited to discuss. We are faced with a condition, and I am expected to express my opinion with regard to what should be done about it.

Issuing Federal Reserve Notes on Bond Collateral

As I see it, we amended the Federal Reserve Act in 1932 by authorizing the Federal Reserve Banks to issue Federal Reserve notes with government obligations as collateral instead of member bank rediscounts as previously required. (This is basic, but time does not permit its further discussion here.) Then, in 1933, we went off the gold standard, repudiated our currency, reduced the gold content of the dollar and adopted an irredeemable currency as our legal medium of exchange. Even at that, we got along better than might have been expected until the Second World War came and we were faced with the stern necessity of subordinating every other activity to the war effort. It was apparent that the people of the country generally expected to have taxes greatly increased, and they were willing to pay them. They also expected it to be necessary for the government to borrow large sums of money above possible tax collections, and they were equally willing to buy government bonds.

The officials of the Treasury Department, the Federal Reserve Board, and representatives of the American Bankers Association met and, after much deliberation, decided that, since England was financing her war on a 2% basis, we should undertake to finance our war on a 2½% maximum long-term rate, without regard to how much it might be necessary to borrow. Of course, the only way that this could be accomplished was well understood by those in authority, and consisted of the creation by the Federal Reserve System of additional reserves upon which member banks would, and actually did, build fantastic deposit structures. It is superfluous for me to point out to this group that reserves created by Federal Reserve purchases of government securities and member bank deposits built on such a base were never remotely considered as a possibility by those responsible for the passage of the Federal Reserve Act, nor could it have been accomplished without the amendment (Glass-Stegall Act) permitting deposit of government securities instead of member bank rediscounts as collateral to Federal Reserve Notes. The mechanism employed is essentially the same as that employed in Germany and France in bringing about the great monetary inflations in those countries after World War I. One of my friends sent me, in March, 1942, an outline of the plan adopted, and I cannot refrain from quoting a paragraph from the letter I wrote in reply. I said: "My own feeling is that the course which is being pursued cannot fail to result in an ultimate loss of confidence in the currency, and wild inflation here. I realize that every effort will be made by legislative edict to prevent a change in the price structure, but the pressure will be entirely too great to be permanently successful. It is my idea that, if we are to successfully finance the war effort, we must give up the idea of a fixed rate of interest, and we further must avoid the accumulation of more and more bonds in the hands of the commercial banks."

Growth of Bank Holdings of Government Debt

This discussion is certainly not intended to convey any degree of censure or fault-finding with what has happened in the past. Mistakes have been made, since it is human to err, but I have no feeling that those in authority and charged with the responsibility of making the decisions were not actuated by the highest motives, and I am fully aware that they felt (and may still feel) that the decision was wise and necessary under the exigent circumstances then existing. Nevertheless, that decision is responsible for the fact that when the war was over on Dec. 31, 1945, the Federal Reserve System had purchased $21,777 million government securities, thus creating (by purely a book entry) member bank reserves of a corresponding amount and bringing total holdings to $24,262 million. The amount of Federal Reserve holdings has varied from that amount downward to a low of $17,154 million in September, 1949, but has risen by net purchases since that date (19 peace-time months) of $5,932 million to $23,036 million on April 11, 1951.

The consolidated statement for banks and the monetary system shows total deposits and currency on Dec. 31, 1945, of $180,806 mil-

lion, and at the end of December, 1950, shows $184,500 million. From these figures it is, of course, apparent that Federal Reserve policy is responsible for maintaining the monetary inflation which occurred during the war at the same high level which prevailed at war's end, and this in spite of the fact that the public debt has been reduced from the high of $278,682 million on Dec. 31, 1945, to $256,731 million on Dec. 31, 1950. Meanwhile, the purchasing power of the monetary unit, as shown by the index of wholesale prices published by the United States Department of Labor, has fallen to 42% of what it was in 1939 before the war started.

Of course, we all know that there is a general impression that the above policy was largely due to the obligation (which the Board felt that it had to the Treasury Department) to maintain the same market rates of interest on government securities as those prevailing during the war, and which could only have been achieved by the creation by the Federal Reserve System of tremendous reserves in the hands of the member banks. However, the war has been over now for nearly six years and certainly there is nothing in our statutory law which requires the Federal Reserve policy to be subservient to the wishes of the Treasury or any other department of the executive branch of the government in respect to the maintenance of interest rates on government securities. Their primary obligation is to maintain and preserve the integrity of the monetary unit established by law, which is a dollar of 13.714 gains of pure gold. The System is, however, responsible to Congress, and it must be admitted that some of the acts of Congress may have had an influence in diverting the thoughts of the managers of the System from the duty of safeguarding the monetary unit. As examples, I mention the Congressional repudiation of our obligation to pay our bonds and redeem our currency in gold, the "devaluation" of the dollar, the "Employment Act of 1946," and there are others, such as the Glass-Stegall Act authorizing the deposit of government securities as collateral for Federal Reserve Notes.

Is Federal Reserve Independent?

However, Congress has never passed any legislation which has directly interfered with the independence of the System, and has even moved strongly in the other direction by eliminating from membership on the Board both the Secretary of the Treasury and the Comptroller of the Currency. On the other hand, and most significantly, Congress has not passed legislation of any kind which would relieve the Federal Reserve Board of the responsibility of maintaining the solvency of the currency. Therefore, the Board is still an independent entity, legally fully empowered to make its own decisions and still responsible for the preservation of the integrity of the currency.

We should never hear a complaint from the Board to the effect that the System was coerced or compelled to buy $24 billion worth of government bonds to support the deficit policy of the government. The Board itself voluntarily adopted the policy of a fixed maximum interest rate and bought the bonds to accomplish that purpose. It is true that they were advised, and possibly importuned, by the Treasury Department and the American Bankers Association, but the decision, as well as the responsibility, was and is their own. Now we are told that there will be another government deficit in the coming fiscal year. Certainly this should not carry the automatic requirement that the Federal Reserve System buy bonds and thus bring about the monetization of the deficit as was done during the war. Nor should we ever hear a complaint from the Board because member banks extend credit and build deposit structures on the base of reserves created by the Federal Reserve purchase of government securities either to support the market or for any other purpose. Never should we hear a request for authority to apply punitive sanctions against the banks in the form of some sort of new and fancy reserve requirement. The decision to purchase securities is voluntarily made by the independent and autonomous Federal Reserve Board, who should be fully aware of the inevitable effects of their actions. The independent Federal Reserve Board unquestionably has the legal power to decrease reserves to whatever extent desired by reversing the process used in creating them.

The Fallacy of a Fixed Interest Rate

Undoubtedly there should be a close and cordial relationship between the Board and the Treasury Department, but both should recognize the impossibility of maintaining any fixed rate of interest in the market for government bonds and at the same time protecting the soundness of the currency. It is appropriate and desirable that the Federal Reserve Board should receive suggestions and recommendations from the Treasury Department, and that they should further receive advice from such bodies as the Federal Advisory Council, the representatives from the American Bankers Association, the Council of Economic Advisors, etc., but, after having received advice and information from all available sources, the decision as to policy must be made by the Board on their own responsibility, and it should be of such a kind as will carry out the principal purpose for which Central Banks are responsible. I am not suggesting that the System should suddenly announce that they will buy no government bonds at any price, or that they immediately sell at any price obtainable $12 billion of government securities, which is the amount now deposited as collateral to Federal Reserve Notes, but it ought not to be too difficult for the Federal Reserve Board to convince the Treasury Department of what the fundamental obligation of the Board is, and to secure the full and cordial cooperation of the Treasury, as well as the American Bankers Association, in a program to save the American monetary system from further devaluation and a possible collapse. Such a program would, in my opinion, necessarily involve a more or less gradual withdrawal of all support of the market for government bonds, a firm policy of some minimum annual reduction of the amount of government securities deposited as collateral for Federal Reserve Notes, an abandonment of the policy of inflating the currency to comply with the inference in the "Employment Act of 1946," and a definite program for a return to the full gold standard.

A Gold Currency Desirable

As a matter of fact, in the long run the newly conceived purposes of the System, "prevention of inflation and deflation, creating conditions favorable to sustained high employment, stable values and a rising level of consumption," will be attained much more surely and permanently by an economy operated on sound money redeemable in gold, the future value of which cannot be doubted, than by an economy operated on fiat money unredeemable in any definite material thing and whose future purchasing power is, from the most optimistic point of view, a completely unknown quantity.

But what would be the effect on an Administration which wants to spend $71½ billion this year, and more in the years to come. Simply that they would have to raise the money by taxes which might not be too popular as a permanent way of life, or they would have to borrow it in the open market at rates of interest set by supply and demand and not by an inflation of the currency.

And as for the commercial banks, who have been (as I think, unjustifiably) accused of contributing to inflation, they would have no excess reserves on which to build inflated deposits, and could only increase their loans or investments, and thereby deposits, by rediscounts which could, in turn, be effectively controlled by the rediscount rate, or, if necessary, by a limitation of rediscounts by classification of acceptable paper which is within the present powers of the Board.

No, the Board should not blame either the Treasury or the commercial banks for the results of their own free-will decisions, but should alter their policy to the extent necessary to achieve the classical purpose of all properly conceived Central Banks, which is the protection and preservation of the solvency and integrity of the people's money.

Patrick Sheedy With Edgerton, Wykoff Co.

LOS ANGELES, Calif.—Patrick H. Sheedy has been appointed manager of the trading department for Edgerton, Wykoff & Company, 618 So. Spring Street, members of the Los Angeles Stock Exchange. Mr. Sheedy, who has been with Edgerton, Wykoff & Company for the past three and one-half months, was formerly with Dean Witter & Co.

Patrick H. Sheedy

James Richardson Co. Personnel Changes

WINNIPEG, Man., Canada — James Richardson & Sons, 367 Main Street, have announced the following personnel changes:

George Heywood of Saskatoon has become bond department manager at Edmonton.

F. Newton Hughes of Edmonton has been transferred to Toronto to become assistant manager of the bond department.

L. L. Bell has been appointed bond department manager at Toronto, and W. V. Warner of Calgary has become bond department manager at Saskatoon.

Morgan Co. Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Wayne E. Morris and Albert L. Posmer have become affiliated with Morgan & Co., 634 South Spring St., members of the Los Angeles Stock Exchange.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif.—Edward H. Morrison is now with Dean Witter & Co., 16 North San Joaquin St.

With Hamilton Manage't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Lester L. Enwall is with Hamilton Management Corporation, Boston Building.

Railroad Securities

Northern Pacific

Northern Pacific stock has been in the limelight recently, and has attracted quite a speculative following at successive new highs. Partly this may have been in reflection of substantially improved operations. By far the most important consideration, however, has been renewed interest in the possibility that the company may eventually reap substantial profits from oil and gas operations. Similar hopes have caused periodic flurries in the stock in the past but so far little in the way of concrete benefits have accrued to the company. There seems to be considerable reason for expecting that the current developments may prove more fruitful.

The immediate cause for the present resurgence of hopes has been the report that Amerada Petroleum Corp. has brought in an exploratory producing well in North Dakota. It is situated approximately 50 miles north of some of Northern Pacific's land holdings in that state. Northern Pacific owns considerable acreage outright throughout its territory and has also retained mineral rights on a much larger acreage. The wholly-owned subsidiary, Northwestern Improvement Company, also has extensive land holdings and mineral rights. Together the two companies own outright about 2½ million acres and have mineral rights on an additional 6½ million acres. Over half this total is located in Montana but more than one million mineral rights acres are in North Dakota.

Land department results, which include land sales and revenue from oil and gas leases, are not included in the company's income account. They are credited directly to surplus. Last year net cash receipts from these sources amounted to $1,786,127. Of this, $551,966 represented revenue from oil and gas leases. Obviously, there has not been anything really exciting in the Northern Pacific oil picture to date. Nevertheless, considerable exploration work has been done in recent years and it is understood that this is continuing. With recent developments in the general area, although off Northern Pacific property, there has emerged a strong possibility that oil and gas may become important factors in the company's future.

Were it not for other considerations, speculation at this time on the company's oil prospects might be quite dangerous. Generally speaking, however, the majority of rail analysts hold to the opinion that merely on the basis of the outlook for the railroad properties themselves the stock has considerable appeal at current levels, with the land holdings merely representing a potential, but nebulous, plus factor. Also, with a regular dividend policy now established, at an annual $2.00 rate payable 50 cents quarterly, the stock at recent price levels affords a current return of approximately 5¼%.

Last year Northern Pacific reported earnings of $7.87 a share, by far the best results since the end of World War II and better than any war year except 1943 when $10.29 a share was realized. Moreover, these reported earnings by no means tell the full story. For one thing, as mentioned above, results of the land department go directly into surplus and not through the income account. In addition, the company has a substantial equity in the undistributed earnings of Chicago, Burlington & Quincy. The Burlington, jointly controlled by Northern Pacific and Great Northern, last year earned $19.76 a share and paid $7.00 in dividends. Northern Pacific's equity in the undistributed earnings amounted to $10,593,084 or $2.47 a share on the 2,479,826 shares of Northern Pacific common outstanding.

Northern Pacific has started out well this year. Normally the first quarter is a poor one seasonally as it is for all northwestern carriers. On the average, over the past ten years, this period has contributed nothing to the annual net operating income. In the 1951 interim the road reported net operating income of $1,383,000, an improvement of $4,240,000 over the net operating deficit of $2,867,000 sustained in the opening 1950 quarter. Fixed charges were not fully covered but the per share deficit was cut by $1.85. Prospects over the balance of the year point to continuing substantial improvement in gross revenues. Also, the company has been making considerable progress in reducing the burden of transportation expenses. This all-important ratio was down 4½ points in the March quarter. On this basis 1951 earnings of around $10.00 a share do not appear as an unrealistic expectation.

Singer, Deane to Admit McConnell, Ponicall

PITTSBURGH, Pa. — W. Bruce McConnell, Jr. and Frank M. Ponicall, Jr., will become partners in Singer, Deane & Scribner, Union Trust Bldg., members of the New York and Pittsburgh Stock Exchanges on June 1. Mr. McConnell is sales manager and Mr. Ponicall manager of the municipal bond departmen for the firm.

F. M. Ponicall, Jr.

Walsh & Chapman Inc. Formed in Bosto

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Walsh & Chapman, Inc., has been formed wit offices at 84 State Street to engag in the securities business. Officer are Reginald L. Walsh, President John V. Chapman, Vice-President and Russell S. Cary, Secretary and Treasurer. Mr. Chapman was previously with Coburn & Middlebrook and Townsend, Dabney & Tyson. Mr. Walsh was in the investment business in N. Y. City.

Leland M. Bell

Leland M. Bell of Kerr & Bell Los Angeles, passed away sudden ly May 4.

World Food Problems

By PAUL EINZIG

Commenting on increased price of Britain's meat supply under recent Anglo-Argentine agreement, Dr. Einzig notes it is an indication of tightening food situation throughout world. Finds improved industrial and economic situation in many surplus food producing countries leading to more local consumption and less available for export.

LONDON, Eng.—The terms of the recently concluded Anglo-Argentine meat agreement have not received sufficient attention outside the two countries directly concerned. Yet they have important bearing on the trend of world economy, as they have provided a forceful reminder of the change in the economic balance of power between raw material producing countries and industrial countries in favor of the former. They amount to an almost complete surrender by the British Government, after a fight for more favorable terms that was going on ever since the devaluation of sterling.

Dr. Paul Einzig

The conflict originated from the demand put forward by the Argentine Government that the price of meat deliveries to Britain, which was fixed in the agreement of 1949 at £97 per ton, should be raised in proportion to the devaluation of sterling. This demand was rejected, and towards the middle of 1950 the Argentine suspended the shipment of meat to Britain. Since then Britain has lived on her accumulated meat reserve which became gradually depleted to such extent by the early part of 1951 that the meat ration had to be reduced to a negligible quantity. It was hoped in London that, since Britain has always been the chief market for Argentine meat, the Argentine would not be able to find alternative markets and would eventually have to accept the British terms. In reality, last year's drought in the Argentine has greatly reduced the quantity of meat available. Some alternative markets were found abroad and the domestic consumption of meat in the Argentine was substantially increased. These factors, together with the rising world trend of prices, enabled the Argentine Government to hold out until the British Government was forced by British public opinion to surrender.

An average price of £125 was agreed upon, but that is by no means the full story. The Argentine put forward a purely fictitious claim for compensation for the alleged losses suffered through the devaluation of sterling. Under a gold guarantee granted in the earlier agreement, Britain was under obligation to compensate the Argentine for any depreciation of the gold value of her sterling balances. But at the time of the devaluation the Argentine possessed no net sterling balances; in fact, she had a short position in sterling. Nevertheless, a claim was put forward and, for the sake of being able to obtain the much-needed meat, Britain eventually agreed to settle it by the payment of £10,500,000. This, together with the additional £6,500,000 which Britain agreed to pay to supplement the payments made on the old basis of £97 per ton for meat deliveries made after devaluation, brings up the real cost of the meat to considerably above the nominal average of £125.

The reason why the British Government agreed, somewhat belatedly, to accept such costly terms was the realization that there was no hope for obtaining any substantial alternative supplies. The hopes attached to increased meat supplies from Australia and New Zealand came to naught as a result of the sharp rise in the price of wool, which has made it more profitable to keep the sheep rather than slaughter them. The profit inflation resulting from the rise in the price of wool and other products also caused an increase in the local consumption of meat in the producing countries.

It is especially this last-mentioned factor which is causing grave concern in London. The rise in raw material and food prices tends to bring about a substantial increase in the standard of living of the raw-material producing countries, which means that they are in a position to consume a much larger proportion of the food they produce. There is now less available for export to the industrial countries. The increase of the world population tends to aggravate further the shortage of food resulting from this increase of consumption per head of the population, since it is not accompanied by a corresponding increase of food production. Although the trend is particularly acute in respect of meat supplies and consumption, before very long it is likely to make itself felt also in respect of other vital foodstuffs.

The outlook is anything but promising. Lack of adequate supplies of feeding stuffs puts a limit to the expansion of livestock breeding. Indeed, the existing livestock in Africa and Latin America is already excessive, judging by the extensive soil erosions resulting from over-grazing. Undoubtedly, there are on both continents, as well as in some parts of Asia, unutilized possibilities for livestock breeding, but most of the territories that might be suitable are too inaccessible and before anything could be done it would be necessary to build new harbors, roads and railway lines. Even if private enterprise or the governments concerned were to be able and willing to undertake such works it would take many years before their efforts could bear fruit. Meanwhile, meat and other foodstuffs are likely to be in short supply.

In the ordinary course, such a situation would produce its own corrective through a rise in the price of food in short supply, or through a decline in the price of manufactures to a level at which it would become tempting for raw material producing countries to buy manufactures rather than increase food consumption. Unfortunately, such automatic adjustment cannot be expected in the present situation. A further rise in the price of food would only mean that the producing countries could afford to consume even more. Rearmament, the high price of raw materials and the inflationary conditions prevailing in industrial countries preclude the possibility of a reduction in the price of manufactures. Moreover, the raw material producing countries are engaged in an effort to achieve industrialization.

Amidst the preoccupation of the governments of industrial countries with the economic problems of rearmament and rising cost of living the long-range prospects of the world food situation do not receive sufficient attention. Perhaps the acceptance by Britain of the harsh terms imposed on her by the Argentine may render a useful service if it makes the governments realize the need for devoting some attention to this problem.

Continued from first page

Economic Outlook and The Washington Scene

day to day, depending on accidental or planned official pronouncements or our fortunes in Korea, basically we appear to be moving into a period of reduced international tensions.

There is a growing number of people who believe that World War III can be prevented and is likely to be prevented, providing we do not provoke it. While we have only 6% of the world's surface and of its population, we produce over 40% of the world's output. Our biggest steel company produces more steel than all of the steel capacity in Russia and behind the Iron Curtain. Our steel capacity, to say nothing of that of our Allies, is nearly four times that of the Soviet Union and its tenuously-held satellites. Much the same could be said of aluminum, petroleum and many other ingredients of modern war potential. If the Politburo is manned by men who are as realistic as we commonly say they are, the Soviet Union would indeed be ill-advised to launch a major war against the western powers in the near future.

While we can never be certain in these matters, and are well-advised to build up our economic and military capacity, fear of the Soviet Union "starting something" in the near future is declining.

With the unwillingness of labor leaders (in spite of their protestations) to make sacrifices for the defense program and with the decline in international tensions, it is quite probable that the defense program will not reach as high a peak as has been planned but rather will be spread over a somewhat longer period so as to reduce the pinch on our civilian economy. This, if it takes place, will mean that the military demands will not make as heavy a dent on our productive capacity as was expected some months ago. To some extent this must be viewed as a possible anti-inflationary shift.

(2) If we should get reasonably effective price and wage control, upward pressure will abate and thus mitigate the inflationary tendency. Korea touched off upward spirals in nearly all economic categories. The fear of shortages and the fear of higher prices started an unprecedented volume of anticipatory buying by housewives, by business and by government. A wage-price spiral was set in motion.

From the first quarter of 1950 to the first quarter of this year, national income jumped from $217 billion to $263 billion (annual rates) or by $46 billion. This increase for a single year exceeds our total national income in dollars in 1933!

Average weekly earnings in the past year went up by 13%, basic commodity prices by 46%, wholesale prices by 17%, prices received by farmers by 27% and the consumers' price index by 8%.

In recent weeks this spiral has been checked. Wholesale prices have moved sideways for the last two or three months. By the end of March significant declines in spot and future prices of basic commodities were widespread. Even some industrial commodities have followed this same pattern.

(3) The present inventory situation, if it occurred in normal times, would foreshadow some recession. Total business inventories (manufacturing, wholesale and retail), at last reports, stood at $66 billion, one-quarter above a year ago and nearly one-fifth above their volume last June. This was one-seventh above the peak that preceded the rather marked recession of 1949.

Retail inventories are 29% above a year ago and 21% above last June. The greater part of these increases is represented by higher prices and thus does not reflect similar increases in physical volume.

To what extent housewives and other ultimate consumers have built up inventories is not known but it is generally assumed that for storable items, especially those which became scarce in World War II, such as linens, soaps, nylons, etc., considerable hoarding has been going on.

Even allowing for growth in population, full employment and higher levels of economic activity, such an inventory situation normally would foretell market softening, some layoffs and perhaps recession. It is a deflationary factor in many lines for the next few months.

(4) Private debt has been rising rapidly. Consumer debt outstanding jumped from $16.2 billion in February of last year to nearly $20 billion in February of this year. Because of Regulation W much of this debt must be paid off rapidly. Regulation W should slow down and perhaps reverse the rise in consumer debt. Nonfarm home mortgages have grown at the rate of $1.3 billion **per month** in the past year, more than a third above the monthly rates of 1948 and 1949. The outstanding mortgage debt at the end of last year was about $44 billion, or nearly one-fifth above the figure at the end of 1949. In the past, rapid growth in private debt has usually been followed by a period of debt repayment and economic contraction.

(5) Closely related to the high level of current inventories and rising private debt is the increasing diversion of raw materials and fabricated materials away from consumer goods and to defense and war work. Typical Washington confusion here clouds the outlook. As recently as a week ago steel producers still did not know how much of their output would be available to so-called nonessential uses. After the controlled materials plan goes into effect on July 1, a figure of less than 50% is generally regarded as conservative. Some producers believe that only a fourth of total steel output will be in the "free" category by midsummer. There is even some speculation that limitations on finished products or on steel receipts may control virtually all steel by that time.

What is true of steel is more or less true of a number of other raw materials or partially processed materials in critically short supply.

This diversion of materials away from normal civilian production will disrupt thousands of manufacturers, wholesalers and retailers, as well as many single-industry communities. It is inevitable that some companies, some industries and some towns and cities will face problems of a shrinking economy. Efforts are being made in Washington, through the distribution of war contracts, to minimize these disruptions. How serious they will be will depend on the size of the mobilization program and the skill with which war contracts are widely spread.

(6) Under the Defense Production Act of September, 1950, Congress provided for tighter credit controls in the fields of consumer finance and real estate mortgage finance. These controls are beginning to indicate their potential.

Under the "cheap money" and "easy credit" policies generated by the Federal Government during depression days and continued to the recent period, the superabundance of money and credit became obvious to all. Down-payments on consumer durables and new houses were driven close to zero. Amortization periods were lengthened. In many communities it was cheaper by the month to buy a house with a zero down payment than it was to rent. Last year we built 1.4 million new houses. Under the tighter credit controls it is anticipated that we will build perhaps 900,000 houses. Of these 65% or more are likely to be built in the first half of the year. The residential construction industry is expected to taper off drastically by the second half of this year so that the demand for new telephones and other consumer durables in new houses will shrink considerably.

Another significant development in the credit field is the abandonment by the United States Treasury of its "fixed-interest-rate-pattern" on the Federal debt. Until March of this year the Treasury adhered strongly to the depression-born cheap money policy. The United States Treasury was more responsible for the phenomenal price and wage increases in the past year than all the Communists, labor leaders and businessmen combined.

Under this cheap money policy the government bonds printed and sold during World War II could readily and profitably be dumped by banks and other owners on the open market whenever it became profitable for the bond owner to use his funds for other purposes. This led to the rapid monetization of the Federal debt because under the fixed interest rate pattern the Federal Reserve Banks had to buy these bonds, thus providing reserves for credit expansion.

From June to February 1951, commercial bank loans increased from $44.8 billion to nearly $54 billion, a net addition of over $9 billion in about half a year. At an annual rate this was an increase of 35%. Consumer credit during the same period rose from about $17.7 billion to over $20 billion—nearly 13.5%. Mortgage real estate credit too has continued to expand at a rapid rate. In the six months after Korea demand deposits, our chief form of money, increased from about $85 billion to over $93.2 billion. During this period the total money supply (currency plus demand deposits) jumped upward from about $110 billion to over $118 billion, which is some $4 billion above the previous postwar peak. Furthermore, the rate of use of the money supply (velocity of money turnover) has been rising steadily.

In the face of this expansion of the money supply, it is not surprising that the power of money-spending has been reflected in a rise of wholesale prices from 157 (1926=100) in June, 1950, to over 180 in February, 1951, or by almost 15%. Meantime, retail or consumer

prices have risen only from 170 in June (1935-39=100) to about 184 in March, 1951. But this lag between wholesale and retail prices suggests the prospect of some inevitable catching-up by retail prices, with social and political consequences not pleasant to contemplate.

While these price increases are not solely attributable to the increase in credit and the money supply, there is a correspondence in direction and size of the movements, that we are justified in recognizing as a causal connection. Wage increases, rising costs of replacing inventories, higher prices for replacement and expansion of capital equipment, and strong markets for goods—all these work together to encourage bank loan expansion.

But if banks had not or could not have expanded loans and the money supply, all of these upward pressures would have been substantially reduced.

Under the new accord between the Federal Reserve Banks and the Treasury, the Federal Reserve System has now been given a chance to check private credit expansion.

We improve the chance that Treasury defense borrowing, if it comes, will be financed from lenders' savings and not from inflationary bank credit. This kind of help in the battle to hold the value of the dollar will pay its tax cost many times over.

Economy on public debt interest may be the costliest of economies—and in the budget sense, both national and personal. Every 2% rise in the price level may add $1.3 billion a year to the cost of the national budget for fiscal 1952. And every 1% rise in the cost of living means a $2 billion annual extra charge to consumers for the same goods and services. It also means more than $2 billion evaporation in the purchasing power of the liquid savings of the American people.

Defense production will require borrowing on the part of numerous suppliers. Tighter credit control would encourage the borrowing of money savings through our vast savings and financial institutions, rather than through credit increases. Nor would tighter credit control necessarily reduce total borrowing at the commercial banks below present levels; as the loans fall due, loan applications would be more critically reviewed and the credit would tend to go to the most urgent uses. But the total volume of credit would be kept under control.

Inflation and Expansion Factors

All of these factors put together could spell, if taken alone, considerable contraction in the economy but they are by no means the whole story. A considerable number of these forces making for contraction are deliberate and intended in order to make way for the anticipated boom in defense production.

There are, however, inflationary and expansionist factors that also must be weighed into the picture. Among these, expansion of defense expenditures is the most important.

(1) **Expansion of Defense Expenditures.** Actual defense expenditures are now running approximately at the rate of $2.5 billion a month, or $30 billion a year. By the third quarter of 1951 the figure will rise another $8 billion. The fourth quarter, next December, may see an annual rate of $45 billion or even more.

Defense expenditures have expanded less rapidly than was anticipated. It takes time to decide upon specifications, types of items and quantities. New defense orders are now going out at the rate of about $5 billion a month. President Truman recently stated that by June, 1952, another $58 billion in defense orders will be placed. This stepped-up rate of activity will reflect itself in rising demand for steel, aluminum, copper, fuel and electric power and thousands of other materials and supplies. The government's mammoth raw material stockpiling program is going forward.

Even though the civilian economy is cut back due to saturation of consumer markets, or high inventories, or credit controls, or scarcity of raw materials—defense production, including $4.5 billion of new defense construction in the way of warehouses, war plants, enlarged airfields, etc., may quickly replace any such civilian contraction.

If the defense program goes on, we will require hundreds of thousands of square feet, indeed thousands upon thousands of acres of additional space to store the flood of bombers, tanks and other material. Outside of Washington few persons have tried to envisage the perfectly fabulous quantity of space that will be occupied by the outpouring of defense material in the months ahead. Whole mountainsides are being excavated to store our coming flood of war material.

(2) **The Inflationary Threat of Deficit Spending.** As the defense program expands there will be a heavy additional outpouring of dollars to labor, to material suppliers, to contractors, to public utilities, including telephone companies. Government is our biggest and our most rapidly growing "industry." As goes this big industry, so goes the whole economy. In the first quarter of 1951 the United States Treasury had a large surplus, due chiefly to the March 15 heavy income tax payments. In the current quarter we are operating on a deficit basis but will end the fiscal year in June with a modest surplus, perhaps $2 or $3 billion. After that deficits are likely to be generated. This will mean that the government will pay out more than it collects from business and the citizen. This means the government is adding to purchasing power more than it is taking away. There will be a strong tendency for this deficit to be financed in part through credit expansion, by borrowing from the commercial banks. Such borrowing, whether done by private individuals or government, means that brand new, previously non-existing purchasing power is created. This is inflation. Rising prices are the result of this inflation.

We should, of course, pay for this war as we go, but the resistance to higher taxes is on the rise.

Colin Clark, a well-known Australian economist and a disciple of Lord Keynes, noted, during the course of his research in many countries, that when the tax burden reached a certain point, governments take the "easy way" out by monetary devaluation, deficit spending, and inflation, rather than through further tax increases. This tendency seemed to be so widespread and so uniform that Clark thought he saw an economic law in action. He decided to study this typical reaction more closely.

Clark's analysis covered the "taxation - expenditure - inflation patterns of countries all over the world. Out of his long study came this conclusion: ". . . the critical limit of taxation is about 25% of the national income, or possibly rather less." ("Economic Journal," December, 1945.)

The United States has reached or exceeded this critical level. In the first quarter of 1951 our national income was running at an annual rate of $263 billion. Federal, state, and local taxation may reach a rate of $80 billion, or about 30% of our national income by next year, even without any new taxes.

And we are now reacting in accord with Clark's economic law: We seem to prefer deficits to higher taxes or reduced expenditures. The pressures for greater spending are tremendous at every level of government.

New government services and expenditures are being urged daily.

It is for this reason that every one of us should do everything in our power to encourage all levels of government, Federal, State and local, to cut down less essential expenditures and postpone public improvement that can be deferred. But we should be selective in where the cuts are made.

Unless we are willing to increase the tax burdens and pay as we go, we must expect upward wage and price pressure to continue in spite of Mr. Di Salle and an enfeebled Wage Stabilization Board.

(3) **Construction Activity.** Due to the rising prices, the prospect of material shortages and the growth of our economy, American busines made plans last fall for greatly enlarged construction activity. Last year new construction came to $27 billion—the biggest year in history. New construction last February was $2.6 billion—an all-time high for any month in our history. Contract awards are very high. The boom in factory, warehouse and similar construction is unprecendented. The most recent estimate of planned expenditure for new plant and equipment comes to an annual rate of $25 billion in the second half of this year. Competition for labor and materials and the services of architects, designers and contractors is enormous. In fact, the expansion is so great that Washington is worried about the upward price pressures and scarcities and is developing a heavy arsenal of weapons to cut down both private and public less-essential construction.

(4) **Manpower and Wages.** The most critical bottleneck in our economy is likely to be the labor supply. Unemployment is down to 1.4 million and is expected to be further cut by year's end. This will mean enormous competition among employers to get and hold labor.

This will mean that all manner of means will be found for raising wages and fringe benefits to get and hold labor.

Three to four million additional adults are expected to be working by year's end. Many workers will be upgraded. Many will work overtime. Some will work just Saturdays and Sundays at double and triple time. All of these factors will push up costs and therefore prices, and help **pull up** prices through enlarged buying power.

We are likely to see wages and salaries increase by the end of this year by something like $20 to $25 billion above a year earlier. From the first quarter of last year to the first quarter of this year wages and salaries jumped from $142 billion to $170 billion or by nearly $2.5 billion additional per month. This increase in buying power, unless drained off by new taxation or put into savings, will bid fiercely for the piled up inventories and the stationary or shrinking civilian output.

While the earnings of American business are likely to be good in the period ahead, the squeeze on profits will be considerable. Price controls will slow down the speed with which labor and raw material costs have been rising. Many businesses will find their volume declining and overhead costs more burdensome. Corporation taxes will rise still further. War contractors will find their defense contracts renegotiated, cutting profits a bit more. Because the investment boom is making heavy demand on materials, efforts are being made to cut profits so that funds available for plowing back into the business will be cut—thereby taking some of the heat off the boom.

Summary

Thus we see that we have with us certain contraction and deflation forces and certain expansion and inflation forces. How will they weigh out?

Right now they are roughly in balance. After midsummer it is anticipated that the balance will shift in the direction of more inflation.

The fundamental key here is not wage and price control or market interferences, but rather through fiscal and monetary policy.

Because this defense mobilization is likely to be with us for a long, long time we should not allow government in the guise of "temporary emergency" to resort to direct controls or regimentation beyond the minimum essential.

Neither direct nor indirect controls are wholly pleasant. Both hurt.

But in this choice, wise men, thinking men, are putting primary emphasis on tighter credit controls and tougher fiscal policy. This means a balanced budget. It means that the banker will have to say **no** more often than he says **yes.**

This will not be easy but it will be in our long-run interest to make this temporary sacrifice, hoping that in another two years we can be over the peak of the defense program and can return to more normal activity.

Epilogue—on the Washington Scene

The pronouncements from Washington as to what's ahead are confusing, contradictory and frustrating. But this is democracy in action. We would rather have the confusion than to have a dictator tell us, "This is it."

In spite of the five percenters, the mink coats, RFC loans to snake farms, the lack of clear policy on "after Korea, what?" and the presence of a few moral midgets in high places, there are many competent and honest people in Washington.

If it were not for "problems" we would not have meetings like this today. Concentrating too seriously and too exclusively on "problems," however, can make us melancholy, drive us to drink or even worse.

This helps explain the healthy dose of "fun" which usually accompanies conventions and conferences.

Lest we get too melancholy let me quote from the preface of H. L. Mencken's new book (A Mencken Chrestomathy):

"Those who explore the ensuing pages will find them marked by certain ribaldry, even when they discuss topics commonly regarded as grave. I do not apologize for this, for life in the Republic has always seemed to me far more comic than serious. We live in a land of abounding quackeries, and if we do not learn how to laugh we succumb to the melancholy disease which afflicts the race of viewers-with-alarm. I have had too good a time of it in this world to go down that chute. I have witnessed, in my day, the discovery, enthronement and subsequent collapse of a vast army of uplifters and world-savers, and am firmly convinced that all of them were mountebanks. We produce such mountebanks in greater number than any other country, and they climb to heights seldom equaled elsewhere. Nevertheless, we survive, and not only survive but also flourish. In no other country known to me is life as safe and agreeable, taking one day with another, as it is in these States. Even in a great depression few, if any, starve, and even in a great war the number who suffer by it is vastly surpassed by the number who fatten on it and enjoy it. Thus my view of my country is predominantly tolerant and amiable. I do not believe in democracy, but I am perfectly willing to admit that it provides the only really amusing form of government ever endured by mankind."

If the outlook gets too gloomy or too ponderous, let us try to maintain the optimism of Mencken, the pessimist!

Did You GUESS?

Here's the 1951 version of the angel appearing on page 26.

Robert L. Mitton

(A) Robert L. Mitton, Robert L. Mitton Investments, United States National Bank Building, Denver 2, Colo.

Baltimore Bond Club Schedules Outing

BALTIMORE, Md.—The Bond Club of Baltimore will hold its annual outing on June 1st at the Elkridge Club.

Each year this occasion brings many guests from Washington, Philadelphia, New York and other eastern cities, and it is expected that this year the number of out-of-town visitors will be greater than ever. The usual golf tournament, tennis, horse-shoes, and refreshments will precede the popular "Stock Exchange" which will be followed by dinner.

Officers of the club are: President, W. Lloyd Fisher, Baker Watts & Co.; Vice-President, Harrison Garrett, Robert Garrett & Sons; Secretary, F. Barton Harvey, Jr., Alex. Brown & Sons; Treasurer, E. Clinton Bamberger, Baumgartner, Downing & Co.

Entertainment Committee for the outing: Chairman, Albert C. Warfield, Merrill Lynch, Pierce, Fenner & Beane; F. Barton Harvey, Alex. Brown & Sons; Walter W. Johnston, Merrill Lynch, Pierce, Fenner & Beane; Dorsey Yearley, Alex. Brown & Sons; Frank Mead, Miller & Co.; Edward Armstrong, Stein Brothers & Boyce; Charles Lord, Baker, Watts & Co.; Walter Polhaus, John C. Legg & Co.; James Downing, Baumgartner, Downing & Co.; John C. Legg, III, John C. Legg & Co.; John Jackson, Baker, Watts & Co.; Walter Burns, Baumgartner, Downing & Co.; Frank King, Merrill Lynch, Pierce, Fenner & Beane; Robert Chambers, John C. Legg & Co.; Joseph Sener, Jr., John C. Legg & Co.; William Reed, Robert Garrett & Sons; Leroy Wilbur, Stein Brothers & Boyce; and Arthur L. Baney, E. R. Jones & Company.

With Beer & Company

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Frederick G. Freret has become connected with Beer & Company, 817 Gravier Street, members of the New York and New Orleans Stock Exchanges.

Continued from page 4

Recommendations for a Sound Monetary System

for a people follows when government dominates the activities and policies of the central banking system? Did not the framers of our Federal Reserve Act recognize the validity of these well-established lessons when they provided that the basic functions of the Federal Reserve System should be to accommodate commerce, agriculture and industry and to provide an elastic currency resting upon reserves of gold and other specified forms of lawful money and upon self-liquidating short-term paper growing out of commercial, agricultural and industrial transactions?

Have not the people of the United States been taken upon the wrong course by the Federal Reserve System permitting itself to come under the domination of the United States Treasury? Are not the proposals, of recent years, to integrate monetary policies and procedures of the Federal Reserve System with Treasury fiscal programs and policies wrong in principle, and in conflict with the lessons as to the principles of good central banking and of sound fiscal procedures? Has not the degree of integration that has taken place in recent years been injurious to the people of the United States?

II

Recommendations For a Sound Monetary System

In the interest of providing correct answers to the fundamental questions involved and of obtaining a sound currency system for the people of the United States, the following recommendations are offered:

(1) Congress should make our currency honest and therefore redeemable in gold for *all* holders of dollars at the statutory rate of $35 per fine ounce which has prevailed since Jan. 31, 1934, in our dealings with foreign central banks and governments and producers of gold.

Were this done, then:

(A) All dollars would properly be treated alike.

(B) Our people would no longer be compelled to accept an inferior type of dollar while a more valuable dollar is denied them.

(C) There would no longer be discrimination against our people and in favor of foreign central banks and governments in respect to the kinds of dollars that may be used.

(D) The reserves of the Federal Reserve banks would once more be permitted to perform their proper functions; they would be paid out upon demand, without discrimination, to all holding the same kind of claims in the form of notes and deposits.

(E) Multiple quotations for the dollar would tend to disappear.

(F) New life would be injected into private enterprise in foreign trade.

(G) The return by other nations to redeemable currencies should be made easier since the difficulties in exchange which now exist between us and the rest of the world, because of the irredeemable features of our currency, would be eliminated.

(H) Great domestic benefits should be realized since provision for redeemability instills confidence and provides incentive for more saving, more investment, more production, more trade and, consequently, more and safer prosperity.

Protection Against Socialism

(I) The people would have direct power once more over the government's use of the public purse and a potent protection against Socialism. The people's power to control the government's use of the people's purse lies in the secret ballot and in the right to demand that the government redeem its promises to pay. When the people are deprived of the latter power, the government can take possession of the people's purse and force them into Socialism or totalitarianism in some other form for the reason that, with the control of the people's purse gained through an irredeemable currency, the power of the ballot can be corrupted and, possibly, effectively destroyed.

(J) Our people would be freed from the prospects of the great trouble or disaster inherent in an irredeemable currency. Since a redeemable currency is free of these inherent germs of disease, financial trouble must arise from other sources—for example, from abuses in the uses of credit.

(K) Our people would once more, with minor exceptions, have the benefits of an honest currency. The elements of dishonesty inherent in an irredeemable currency and in all official acts in support of it, which diffuse themselves in subtle ways and like a poison throughout our nation, would be eliminated. Our money, which is the bloodstream of our economic activity, would be freed from a major cause of the disease that creates a fever throughout a nation, thins out the health-building qualities of the bloodstream of industry and commerce, and leads to a bloated, distorted structure in the use of credit and in prices, to prescriptions aimed at symptoms rather than causes, and finally to a serious and possibly devastating illness.

(2) The silver purchase and silver subsidy laws should be repealed. The Treasury should be authorized to buy silver at market prices as needed to meet the public's demand for silver money.

(3) The issuance of Federal Reserve notes against government securities should be ended. The creation of bank deposits by commercial banks against government debt should be limited to the use of government obligations as security for self-liquidating loans or advances and to investments in government debt not in excess of their capital accounts and time deposits.

The Federal Reserve banks should be restricted to investments in government securities not in excess of their capital accounts; and their loans and advances, secured by government obligations, should be of a self-liquidating nature with short maturities—the usual 30-60-90-day maturities. All other temporary advances to member banks against notes secured by government obligations should be limited to 15 days. Direct purchase of government securities from the United States Treasury should be prohibited except for so-called one-day Treasury or over-draft certificates issued to the Federal Reserve banks in anticipation of receipts from taxes and the sale of government securities. These over-drafts should not be permitted to run longer than, say, five days.

These, and other similar, measures should be taken to return our commercial and Federal Reserve banks to their appropriate functions. It is not proper for them to finance the government by creating note and deposit currency against government debt.[1]

(4) The independence of the Federal Reserve System from Treasury domination should be reestablished and maintained. The current contentions that Federal Reserve monetary policies and Treasury fiscal programs should be integrated are valid only if we wish government dictatorship in monetary and fiscal affairs, an irredeemable and depreciating currency, and the serious trouble which such a program invites.

While the loss of a redeemable currency is a dangerous blow to the welfare of a people, the destruction of the independence of the nation's central and commercial banking system removes the last important obstacle to government fiscal and monetary dictatorship and hence to a governmentally managed economy and people.

If the people of the United States are to preserve their appropriate liberty, these methods of destroying that freedom must be recognized for what they are and be banished from this nation.

1The principles suggested here would, in general, return the Federal Reserve banks to practices more characteristic of the 1920's—prior to the latter part of 1929—than of the subsequent period.

We need, first, to determine the proper principle to be employed by our Federal Reserve (and commercial) banks in investing in government securities. We need, next, to determine the method by which these banks should extricate themselves from their present situation in which they are overloaded with government securities and are monetizing the Federal debt.

This author has recommended ("Hearings Before the Joint Committee on the Economic Report," Feb. 2, 1951, pp. 446-447) that Congress appoint a commission, composed of authorities on central banking principles and sound principles of public finance, to ascertain what principles are available as guides in determining the extent to which our Federal Reserve and commercial banks may properly invest in government securities. It was also pointed out that such a commission would need to study the needs of the Reserve banks in the performance of their proper open-market functions to determine the amount of government securities that may properly be acquired through this channel. If this author's recommendations contain defects, such a commission should be able to find them and to suggest better principles and procedures.

J. R. O'Rourke Is Honored at Dinner

J. Rankin O'Rourke of Ira Haupt & Co., members of the New York Stock Exchange, was guest of honor at a testimonial dinner tendered by The Boys Club of New York Alumni in the Grand Ballroom of the Hotel New Yorker on Saturday, May 12.


J. Rankin O'Rourke

Mr. O'Rourke has made the activities of The Boys Club his hobby for a number of years and is well known for his work in promoting this group in Westchester and the downtown financial section of New York. He is President of the Pelhamwood Association, a civic organization, a member of the board of trustees of The Boys Club of New York, and President of The Boys Club of New York Alumni.

John S. Hassan Co. Formed

(Special to The Financial Chronicle)

SAN MATEO, Calif.—John S. Hassan has opened offices at 927 B Street to engage in a securities business under the firm name of John S. Hassan Co. Mr. Hassan was formerly associated with Louis A. Love and prior thereto with Conrad, Bruce & Co. and First California Company.

Continued from first page

As We See It

ganized themselves as to constitute almost a controlling element in the electorate.

These gentlemen (having apparently come by some wisdom not shared by the rest of us) are undertaking to lecture these businessmen about broad economic forces. Their forecasts or their analyses more often than not depend for their validity upon the assumption not that one but that all businesses act in certain ways. Each of these industrial managers is, in other words, being called upon to act in certain ways without any assurance whatever as to what all the others may or may not do. Indeed, in many instances he should have to act independently if he is to escape danger of later prosecution under our anti-trust laws.

Larger Aspects

But there are larger aspects of all current policy which are brought into focus by these sermons last week —which, while "off the record," have been reported in the press at least as to main content. These aspects center about a marked revival in recent years, indeed in one degree or another in recent decades, of faith in what the social philosopher calls governmental sciolism, that is to say, belief that somehow the politician by virtue of his election by the people to some high office has become imbued with wisdom about everyday affairs not given to the ordinary man. Here is a situation which lies at the very root of current deviation from early American tradition and our leanings toward "collectivism," "socialism," "communism" or whatever name be given it.

On the political side it was the rebellion against such notions (and the evils which go with them) which the American system of government embodied; it was to the abandonment of such notions that the work of Smith so liberally contributed. Says the late Professor Seligman, hardly to be regarded as blind worshipper of Adam Smith or even a full supporter of some of the doctrines he contributed to the American system:

"It is more than a mere coincidence that 'The Wealth of Nations' should have appeared in the same year that the Declaration of Independence was signed. On all sides the conditions of English life also were fast outgrowing the swaddling clothes of official omniscience and governmental sciolism. In the town where Adam Smith labored there were numerous protests by individuals and by societies against the policy of the government. It is not surprising, then, that after a careful resume of the shortcomings of the prevalent commercial policy, Adam Smith should have concluded with this celebrated passage: 'All sytems, either of preference or restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as soon as he does not violate the laws of justice, is left perfectly free to pursue his own interests in his own way, and to bring both his industry and his capital into competition with those of any other man or order of men.' "

Popular Objections

Now, of course, we well understand that there are those who will rise at once to object that we are now in an "emergency," a state of half-war and of urgent preparations for real war, and that in such circumstances the ordinary rules of "business as usual" or even of economics as usual is out of order. As to such an objection, let two observations be made: In the first place, we are now concerned not only with the particular circumstances by which we are now faced, but also with the history of the past two or three decades, when even while at peace we devoted ourselves in unprecedented degree to "preference and restraint" by government. We are particularly desirous, as a matter of fact, to draw attention to the degree in which such interferences as are now being effected on many sides have grown in real essence to be part and parcel of our economic thinking and governmental practice. Until this fact is borne in fully upon the consciousness of the rank and file of the American people we shall not again have a very healthy economic system in this country, regardless of outward appearances.

The second observation is this: Even in times of emergency, or, for that matter, in times of "total war," fiat controls such as those to which Messrs. Johnston and DiSalle were referring are wholly unable to provide protection against loose and profligate management of governmental affairs. Few need to be reminded of the extensive "direct controls" of World War II. Equally well known is the fact that they were not particularly effec-

tive in controlling either prices or wages, and that such effectiveness as they had during the war was quickly lost when the fighting was over. Not so many realize perhaps that one of the basic difficulties with all this at this very moment is the "inflationary potential" of that war. What we tried to do then, and what we are apparently trying to do now, is to permit underlying conditions to get out of hand and then to prevent damage by fiat. It cannot be done, and the sooner we understand that simple fact the better for all concerned.

Public Utility Securities

By OWEN ELY

Wisconsin Electric Power Company

Wisconsin Electric Power Company and its subsidiaries, Wisconsin Michigan Power Company and Wisconsin Natural Gas Company, serve an estimated population of 1,440,000 in 376 communities and 37 counties in three interconnected areas in Wisconsin and upper Michigan. Milwaukee, Racine, Kenosha and Appleton are the most important cities served. Last year the company acquired the electric property and business of Wisconsin Gas & Electric Company, which completely surrounded the parent in southeastern Wisconsin, and the subsidiary was renamed Wisconsin Natural Gas Company. Another subsidiary, Wisconsin Michigan Power Company, serves areas in east central and northern portions of Wisconsin and in the northern peninsula of Michigan. The various areas of the system are electrically interconnected. The consolidated gross revenues are 91% electric, 6.5% gas and 2.5% heating.

The company has a transportation subsidiary, The Milwaukee Electric Railway and Transport Company, which is not consolidated. It provides local transportation services by trolley and gas buses and some street cars in the Milwaukee metropolitan area. The transport company has recently been allowed an increase in fares by the Public Service Commission of Wisconsin to 15c cash, seven tickets for 90c, and the $1.60 weekly pass in the single fare area. Application for a further upward adjustment in fares is contemplated by the transport company in view of a recent wage adjustment.

Last year the company earned $1.90 (consolidated) a share after provision for contingent losses on investment in the transportation subsidiary of $500,000, equivalent to about 14c per share. The corresponding earnings for 1949 were $1.89 per share. For the 12 months ended March 31, earnings per share were $1.86, the reduction in the first quarter of 1951 being due to higher taxes which were accrued in the first quarter at the rate of 50% for normal and surtax rates as compared with 42% in 1950, and to poorer water conditions for hydroelectric generation in January and February of this year. In March the water conditions and the gas earnings improved with the result that earnings for March showed a gain over last year.

The Wisconsin Electric system generates most of its electric energy (about 2% is purchased). Hydroelectric generation accounted for about 8.5% of total generation last year. In December, the fifth 80,000-kilowatt unit at the 400,000-kilowatt Port Washington plant was completed. Work has begun on the installation of two 120,000-kilowatt units of a proposed now 500,000-kilowatt station, to be known as the Oak Creek Power Plant, in the southeast corner of Milwaukee County. By the end of 1954, generating capacity should approximate 1,130,000 kilowatts as compared with 877,000 at the end of 1950.

The company does its own design and engineering work on its power plants and supervises the building of them. It was the first company in the world to develop and adopt pulverized coal for use in generating steam, which system was incorporated in the Lakeside Power Plant in 1920 after five years of experimentation in another of its plants. The average heat units per net generated kilowatt-hour for all of the company's plants were reduced from 13,867 in 1942 to 11,288 in March, 1951. Port Washington Unit No. 5 is turning out a kilowatt-hour on an overload basis at about 9,550 heat units.

The company actively promotes all classes of electric and gas sales. The average use by the company's 361,219 residential customers in 1950 was 2,162 kilowatt-hours, an increase of 79% over 1942. Its farm electric service sales are the fastest growing and 28,081 farm customers in 1950 used an average of 4,674 kilowatt-hours, an increase of 163% over 1942, and double the national average for non-irrigated farms.

The company is preparing to take its share of the defense load. Its building program will require $100,000,000 for the four-year period ending in 1954. About $50,000,000 will be required for the first half of the Oak Creek Power Plant, which will be completed in 1954. The company does not expect to do any permanent financing until the spring of 1952, at which time about $25,000,000 will be raised, to be followed by another $25,000,000 in 1954. Exact type of financing has not as yet been determined.

The consolidated capital structure at the end of 1950 was 50.2% debt, 18.3% preferred stock and 31.5% common stock equity.

Up to about three years ago Wisconsin Electric was part of The North American system. Since emerging it has pursued a conservative dividend policy with a present payout ($1.20) a little under 60%. The management hopes that the payout may be increased when domestic and world conditions are better stabilized.

The question of the retainability under the Public Utility Holding Company Act of the gas, transportation and steam-heating operations is now before the SEC.

In a recent talk before the New York Society of Security Analysts, President Van Derzee estimated that if business continues at the present overall rate for 1951, with no unexpected increases in labor or fuel costs and on a basis of normal and surtax of 50%, the company should earn on a consolidated basis within 5% of last year's earnings. A major part of increased fuel costs would be recovered through fuel clauses.

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FHA Housing and Mortgage Developments

been discussed and a bill has been passed by the Senate. Because this legislation is still in a formulative stage, I shall mention only briefly some of the principal amendments to the National Housing Act that have been proposed.

A new Title IX would provide a new FHA plan of mortgage insurance for privately-financed defense housing. This would be used as a supplement to existing FHA programs in defense areas as an incentive for the production of privately-owned housing required in connection with the national defense.

The new title would be available only in critical defense housing areas designated by the President as having, or about to have, a substantial shortage of housing for immigrant workers at defense plants or installations. Furthermore, the maximum number of dwelling units to be insured in each locality by the FHA under this title would be programmed by the Administrator of the Housing and Home Finance Agency in conformity with the need of specific defense activities in the locality.

The program is primarily designed to produce rental housing and priority of occupancy would be given to workers in defense activities.

To give flexibility to the program, provision is made for the insurance of mortgages on both one and two-family structures, as well as multi-family projects. Terms for such insured mortgages would not exceed 90% of FHA appraised value but certain flexibility would be provided in maximum mortgage amounts, depending upon number of rooms, etc. Additional insurance authorization is also provided.

The mortgage ceilings would be intended to provide an incentive to build accommodations within the paying capacities of those intended to be served.

FHA insuring authority under Title VIII for mortgages on military housing would be extended from July 1, 1951 to July 1, 1953, and amended to include housing serving Atomic Energy Commission installations.

Section 207 would be amended to permit up to $8,100 per unit for projects averaging four rooms or more per family unit. Also, a matter of special interest to savings bankers is the amendment reducing the term of debentures under Section 207 as well as 213 to 20 years from the date of issuance. From an investment point of view this should make project mortgages more attractive.

The owner-occupancy requirements of Section 203 would be modified for the benefit of mortgagors entering into military service subsequent to the filing of the mortgage insurance application when the mortgagor expresses an intent to occupy the property upon his discharge from military service.

Whether the proposed amendments become law or not, the times ahead are not going to be easy for any of us. We can be sure of that. The best we can do is to think as logically as we can about what the coming months may bring forth, and to make our plans on the basis of past experience and current facts.

FHA Fiscal Report

Now I should like to give you a very brief fiscal report on FHA operations. To date the Administration has insured more than $23 billion in mortgage and property improvement loans made by private lending institutions. Of this insurance written, the outstanding balance is about $12¾ billion, or a little over half. Losses on the total amount of mortgage insurance written are just around 3/100 of 1%. At the present time our capital and reserves amount to around $250 million. Dividends paid to mortgagors have exceeded $27 million.

Regarding our operations under present conditions—first, let me report that Title VIII, the Military Housing provisions of the National Housing Act, is producing a very large volume of excellent housing accommodations, which are greatly needed by the Military.

Likewise, Section 8 of Title I, as well as Section 203(d) of Title II, is becoming operative in many sections of the country. I have recently seen in many parts of the country Title VIII, Section 8 and 203(d) projects and I am very happy to see the industry producing such excellent housing accommodations for military use, as well as for the average American family.

Although the new Section 213, Cooperative Housing, is just over a year old, more than $428 million of applications for commitments and eligibility statements have been filed in our field offices.

We are also doing a substantial business under Section 207, Rental Housing. So far this year applications involving project mortgages have amounted to just about $49 million.

Property Improvement Loans under Title I are proving most effective in maintaining the housing inventory of the country in good condition. It is estimated that the 1950 volume of Title I insurance brought direct benefits to 1½ million American families and the typical loan was only $354.

During the year 1950 much more housing for minority group occupancy, both sale and rental, was produced than ever before. This is very encouraging. I wish to emphasize the desirability of continuing and expanding efforts to produce housing for minority groups and the average American family. This means suitable housing within the paying ability of such families.

As I pointed out before, I should like to discuss some of the problems we of the FHA and you as mortgage lenders must face in order to meet the needs of the country.

The necessity of providing mortgage financing for middle and lower income families is, in my opinion, particularly important at this time. During a recent trip I took through many states, I found that in several areas there was continued resistance on the part of mortgage lenders to make loans under Section 8 and Section 203(d) because of the low amount of the mortgage. It is my sincere belief that it is to your advantage to give study to the internal organization of your banks, whereby you can make and service these low mortgages efficiently and on a profitable basis. I understand that efforts have already been made in savings banks conferences to devise methods of reducing servicing costs. I am confident that the volume of business is greater in the lower cost field than elsewhere. At the present time our records show that about 10% of the mortgages on new homes are running under $5,800 and approximately 60% of the mortgages are for $9,450 or less. To meet this demand in the lower income field is, in my opinion, not only good business but a definite challenge for private industry to show that it can meet the market demands of the country.

Mortgage money for permanent financing is becoming tighter and yet competition for loans may become keener just a little later. While we would not favor the restriction of competition, we hope that it will not result in the practice of paying a premium to the borrower or mortgagor or builder in order to get his business as has been done sometimes during the last few years.

While there seems to be an adequate supply of funds for permanent mortgage financing, construction money has tightened. If this situation continues to develop, it can create an acute condition which mortgage lenders should plan now to avoid. In many instances, it is the uncertainty of securing construction money that has caused builders to rush out and pre-purchase materials that they may not need for weeks or months to come. When lenders require materials to be on the site or available before making a construction loan, they are making shortages more acute and disrupting the orderly flow of building materials.

As I have indicated, there is a wide variety of opinions concerning the availability of mortgage capital at the present time when there are so many outstanding commitments that must be digested. While it is too soon to tell how the situation will develop, in my opinion, there is now nothing in the present or the foreseeable future to indicate that this is anything but a temporary situation, though it is impossible to know. Under any circumstances, I believe lending institutions should develop a program for the acquisition of mortgages and with the emphasis being placed on lower cost housing, this factor together with the credit controls will mean planning to handle a greater number of mortgages to have the same dollar amount invested.

With a reduced volume of business, lenders will have an opportunity to absorb the tremendous volume of mortgages made available last year, and I feel that it is not unduly optimistic to say that the residential mortgage industry may well be in even better order at the end of 1951 than it is now.

A period of national emergency can be expected to work hardship on all peacetime enterprise, including the normal production of housing. But housing, in addition to being a peacetime industry, is vital to defense and national production. For this reason it cannot be a casualty of the emergency, but rather will find it necessary to convert its efforts to producing in accordance with the needs of the emergency.

We of the FHA plan to put forth every effort to work with lenders and builders to assist in the production of essential housing. FHA will continue to encourage new techniques for producing better and less costly dwellings—to encourage improvement in design of living space — to make further progress in land planning—and to improve our procedures and service.

The immediate outlook is one of limited housing production in keeping with our economy and National Defense needs. The long range outlook, I believe, is one about which we can well be optimistic.

In my opinion, we are moving toward better planning — toward production that is better geared to market demands—we are moving toward the soundest investment a country can have—better housing for its people.

Toward that end the FHA will give every help that can be given.

Continued from first page

Treasury Should Heed Verdict of a Free Market

firmly entrenched for over 10 years.

The End of an Era

It would not surprise me if, some years from now when we shall be able to review this period with better perspective, we shall look back to these policy decisions made in March as marking the end of an era. That era, for want of a better name, might be called the Keynesian era. The theories of John Maynard Keynes, the British economist, exerted a dominant influence on official financial policy from the early years of the great depression of the 1930s through the war and postwar booms and up to the early part of this year.

The reasons for this influence are quite understandable. The Keynesian theory was born in a period of mass unemployment and unprecedented worldwide depression. It seemed to offer plausible explanations of the causes and cures of our troubles. While it is not fair to oversimplify Lord Keynes' arguments, the essence of them was that we were living in a mature economy and that people were saving too much money and spending too little. Hence, we had economic stagnation. If the behavior of people could be reversed, Keynes suggested, then business, employment and prices would recover. One way to accomplish the reversal, it was argued, was to make money very plentiful and easily available at low rates of interest. This would presumably discourage saving and stimulate spending.

If this theory was attractive in a depression, it became even more attractive in a boom, especially from the political angle. Some of Lord Keynes' more ardent disciples discovered new twists which promised that the political managers of a planned economy would be able to deliver what nobody had ever been able to deliver in the past, namely, the happy spectacle of a nation eating its cake and having it too. We were told, for example, that large governmental expenditures were both a necessary and a virtuous stimulant; that it didn't matter how large the national debt became as a result, because we owed the debt to ourselves. And we were warned that if interest rates were allowed to rise, we would be courting disaster, both national and international. Indeed, some went so far as to advocate the gradual reduction of the interest rate to zero.

Let us examine for a moment why our official policy has now been changed. Why is it no longer believed necessary to sanctify a purely artificial maximum interest rate of 2½% on long-term government bonds? Why has support of government securities at a level that shall always be above par been abandoned? Fundamentally, it seems to me, the reason is that our former policy had created scores of billions of dollars' worth of a new form of super-money, namely, government securities. This new form of money was flooding our economy with so much more money than there were goods and services available for purchase that money was rapidly shrinking in value.

Government Securities—New Form of Super-Money

Under the recently abandoned policy, government securities were made almost instantaneously convertible into ordinary money without risk of loss on a pegged market that was officially supported. Nor was this all. The mass conversion of this new form of super-money into ordinary money or bank deposits became particularly mischievous whenever the only buyer that was willing to pay the pegged price was the Federal Reserve. For when the Federal Reserve buys a government security from an individual or a bank, it not only creates additional money that never before had been in existence, it creates a bank reserve which can support a further expansion of money in the ratio of about 5 to 1.

In a free country the people are the final arbiters of what they do with their money, including their government securities which I have described as a new form of super-money. If people are in a mood to spend and if you make it more attractive or easier for them to spend than to save, then they are going to spend. And by people I mean not only individuals, but groups of people such as political bodies, businesses, banks, insurance companies and the like. They may spend because they need goods and services. They may spend because they are afraid that goods are going to be scarce or higher-priced. Groups may spend to influence elections. Individuals or institutions may spend because they think other investments are more attractive than cash or its recent equivalent—government securities. Whatever the reasons, they will spend so long as they are in the mood to do so and so long as they can lay their hands on money—and no government in the world has ever been able to stop them, not even by the exercise of despotic powers.

This country has been in a spending mood for a long time, notably since the end of the war. As a result, President Truman said over five years ago, "Inflation is our greatest domestic problem." This inflation has continued ever since. Three and one-half years ago, when I last had the pleasure of addressing you, I tried to point out how easy-money policy was feeding the fires of inflation and that the social cost of this policy was dangerously high.

After Korea, the course of inflation accelerated at a pace that became so ominous it no longer could be ignored. This acceleration was due in no small measure to the fact that people, in increasing numbers, were deciding it was to their advantage to turn their government securities into cash at artificial and pegged prices so that they could either spend it or invest it at more lucrative rates of return. It was this wholesale liquidation of government securities to the Federal Reserve that was the crux of the problem our monetary and fiscal officials finally had to face. It was in many ways similar to the problem England faced in 1947 and finally resolved by allowing the prices of government securities to seek their own level in a free market. Another factor that focused attention on the immediacy of the inflation problem in this country was that higher prices were increasing the cost of rearmament.

Effect of Changed Policy

I should like to emphasize that I do not believe, nor do I think official advocates of the new policy believe, that the unpegging of government securities and the rising trend of interest rates will by themselves stop our inflationary trend. I do maintain, however, that there would have been no hope of effectively restraining overall credit expansion and curbing inflation unless the pegs had been removed and unless interest rates had been permitted to rise. The significance and effectiveness of higher interest rates is not that they restrain the would-be borrower. The real significance is that interest rates must be taken out of a strait-jacket if there is to be any measuring of the demand for money in relation to the supply, and if demand and supply are to be balanced. The only way interest rates were maintained at their former fixed levels was through manipulation of the supply of money—and this manipulation meant, to be absolutely frank, that we were turning on the printing press to expand the volume of money. This has always been dangerous and in a period such as we have been going through, it threatened disaster.

While the monetary steps that have been taken are not a cure-all for inflation, I doubt if we can overemphasize their importance. Let's have a look at a few of the things that have happened since March.

Number one, and perhaps the most significant. One hundred and fifty billion dollars of marketable U. S. Treasury securities have ceased to be what I earlier called super-money. True, they can still be converted into money, but the conversion has now become costly since the sale of government bonds now involves a loss to the seller. Furthermore, there is no longer any assurance, real or implied, as to the price at which they can be converted into money in the future. We have, therefore, in the short space of a few weeks, cut down drastically the volume of liquid and riskless funds that can readily be diverted to the spending stream.

Number two. The Treasury has recognized publicly for the first time in over a decade that if it is to finance its requirements without resorting to inflationary credit expansion, it must consider the needs and requirements of potential buyers of its securities. The offer of the new 2¾% issue in March was clearly an attempt to give investors such as life insurance companies, pension funds and other institutions a bond which they would willingly hold. This is in sharp contrast to the policy dating from the first Defense Loan prior to Pearl Harbor, when the Treasury offered the market what it wanted to give it, whether the market liked the terms or not, and when the Treasury was in a position to rig the market through Federal Reserve manipulation.

Number three. The exchange of some $13 billion of old 2½s into new 2¾% bonds has, for all practical purposes, immobilized nearly 8% of the total marketable public debt. This, of course, will simplify the problem of the Federal Reserve in providing an orderly government bond market, which is quite a different thing from a pegged market.

Number four. Since the Federal Reserve is no longer an important buyer, on balance, of government securities, it means that what little liquidation is taking place is being absorbed without expansion of the credit base.

Number five. The argument that a domestic or international crisis would be precipitated by a decline in the price of government securities to below par and that our financial institutions would be made insolvent as a result has been exploded.

Number six. Even though the Federal Reserve may at some future date find it wise to support or even peg the market, and even though we may later return to an easy-money policy, never again will investors feel they can safely assume that government bond prices will always remain above par. In other words, government securities are not likely to become super-money again in the visible future.

It will probably take several months for all these new developments to be reflected fully. I submit, however, that the new forces at work are very powerful. Now that liquidation of government securities, especially by banks and institutional investors, has become less attractive if not downright costly, the volume of potential new credit has shrunk drastically.

We have suddenly discovered that there is no longer enough new credit being created through saving to provide would-be borrowers with funds to do all the things they would like to do. It seems to me this is likely to take at least some of the froth off the boom. After all, when a business discovers it is difficult, rather than easy, to get bank or other accommodations, it begins playing its cards a little closer to the chest. It begins to scrutinize its inventories and receivables more carefully and to be more hesitant about bidding for materials or embarking on expansion plans. Perhaps this has had something to do with the recent pronounced price weakness in several commodities.

Money Getting Tighter

Money, then, is starting to get tight and lenders are beginning to ration credit for the simple reason they haven't enough free funds to go around. This rationing is being buttressed by the Voluntary Credit Agreement of the banks, the life companies and the investment bankers. The real purpose of this voluntary agreement, as I understand it, is to see that our limited volume of available new credit is conserved so that it can meet the demands of the defense effort and help increase the supply of needed goods and services.

Let me cite a few figures which give a rough idea of how suddenly the position of one important group of investors, the life insurance companies, has changed. Without going into details, I estimate that the life companies had about $11 billion available for investment in 1950, and that in the 12 months starting this May first, they will have only about $8 billion. The decline will be due, I believe, because of a reduction in refundings of outstanding issues and a drop in insurance company sales of government bonds. In 1950 life insurance companies invested not only their $11 billion of available cash but made future commitments for an additional $2 or $3 billion. Thus they invested or promised to invest somewhere around $13 or $14 billion.

In the year starting this May first, however, out of their estimated $8 billion available, they will have to make payments for perhaps $2 billion of commitments made last year. Thus there will remain only about $6 billion net for new investments and commitments, which is in sharp contrast to last year's figure of $13 or $14 billion. This is the first time in nearly two decades that life companies have had to figure out where their money is coming from before they invest. No longer is their problem one of finding outlets, as was the case until well after the war, and no longer are they in a position of knowing they can sell government bonds by the billions in a guaranteed and loss-free market in order to raise funds whenever they may want them.

If my analysis is right and if the Federal Reserve does not reverse itself and turn on the tap of new and easy credit, it seems to me that the demand for investment funds is likely to be larger than the supply for the indefinite future. Even after making allowances for a decline in building and the demand for new mortgage money, the requirements of industry will continue very large, and in addition the Treasury is likely to be a substantial borrower during the latter part of 1951.

All this makes the problems facing the Treasury very real and very difficult. It now looks as if those who advised the Treasury, after the war, to start refunding their short-term obligations into long-term issues may have been right. At any rate, the Treasury's task is now greatly complicated by the fact that during the next 12 months it will have to refinance some $52 billion of maturing issues and must raise a still undetermined number of billions of new money to finance defense. Also, beginning next year it must be prepared to refinance many billions of savings bonds as they fall due. Unless we are to have a dangerous further expansion of the money supply, with all that this would imply inflation-wise, the Treasury must do most of this enormous financing without recourse to the Federal Reserve.

Verdict of Free Market

I am sure none of us know how the Treasury plans to meet its financing problem. Its solution will require great wisdom, greater wisdom than is possessed by any man or small group of men.

It is for this reason I should like to venture a suggestion. Might not the Treasury be well advised to turn to the greatest source of financial wisdom yet devised by man, namely to the verdict of a free market?

For the past several years, governments throughout the world have been trying to shortcut free markets and to mastermind our economy and our finances. Controls, regulations, and a host of other devices have been tried, and yet, no matter how cleverly designed, they almost invariably have worked crudely and have created more problems than they solved. Thus the tendency has been for controls to breed the need for still more controls until the point is reached where men resist the controls and evade them by black, gray and various other shady markets and methods. We seem to have forgotten how wonderfull efficient free markets are in getting necessary things accomplished. The reason for this efficiency is that the market is the meeting place and clearing house of all that everybody, not just a few people, knows about any given situation and outlook.

To be specific: It seems unlikely that during the next several months there will be any large volume of long-term funds available from institutional investors for the purchase of additional government bonds. Thus it would seem that the source of the funds the Treasury needs is most likely to be found from individuals who might be induced to save and from those who might be induced to put idle cash to work through short- or medium-term government paper.

First, as to possible new savings by individuals: I imagine most of us are doubtfu whether the Treasury will be successful in attracting large amounts of new money by campaigns, no matter how intense, to sell the present brands of savings bonds. Possibly a higher interest rate would help, and possibly the results would be better if professional security salesmen were given a commission for placing such bonds. I suspect, however, that as far as the individual is concerned, the government might be wise to consider some other inducement, such as limited tax exemption. This is because personal income taxes take a large

slice of interest income, thus reducing the effectiveness of the gross rate of return. The government grants special tax advantages to the oil industry because the discovery and production of additional oil is considered to be essential to the nation's welfare. If it be true, and I believe it is, that it is even more vital to the national welfare that people save more money and spend less, why would it be illogical or revolutionary to offer a tax advantage to those who will forego spending in order to save?

When we turn to the potentialities in the short-term market for government securities, the fact seems to be well established that large amounts of money are being held by individuals as well as by businesses in the form of idle cash balances. Perhaps this money could be coaxed into short-term government securities if the rate of return were sufficiently attractive. I believe the time has come when we should discard the notion, fostered during the past 20 years, that short-term interest rates should necessarily be lower than long-term rates. The idea that there is some particular ideal interest yield curve on government securities is of comparatively recent origin and was part and parcel of controlled money markets. Prior to the great depression, it was not at all unusual for short rates to exceed long-term rates, and frequently high short-term rates attracted funds needed to avert or cushion a critical situation.

In conclusion, two things seem clear to me. The customers you in the savings banks and we in the life insurance business serve are no longer merely tolerated, as they were under the prevailing economic thinking of the 1930's. They are now emerging again to their rightful place, for they are again being recognized as part of the mass army of capitalists needed to supply the funds to meet the nation's defense and production requirements. We need more of these savers, and if interest rates have to rise to attract them, then those who need to borrow funds, including the government, must be ready to pay the necessary price.

The second conclusion that to me seems inescapable is that our government will be wiser to finance its expanded requirements from the savings of the people than to attempt to finance through tax rates that are so high they destroy the incentive to work, to venture, to save or even to retain past savings. As Mr. James Muir, President of the Royal Bank of Canada, recently said: "The blunt instrument of the income tax may become a dangerous and perverse weapon that penalizes saving even more than it penalizes spending. The failure to exempt saving when income taxes are very high will not only reduce their power to prevent inflation in the short run, but may in the long run prove a positive danger to democracy itself. The extremes of 'left' and 'right' in the world today are mediated in the great democracies by a strong middle class. It would be a tragedy indeed if democracy should perish because, in the supposed interest of its own defense, it liquidated this guardian of democratic institutions."

Two With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Harvey L. Haeseker and Frank J. Schneider, Jr., are now with A. M. Kidder & Co., 400 Beach Drive, North.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Harry C. Greene is with Waddell & Reed, Inc.

Continued from page 5

The State of Trade and Industry

one-year squeeze on civilians—from July 1 to mid-1952—will carry the United States over the "hump" of the defense program.

Steel Operations Rise to Within 0.1 Point of All-Time High Record

Defense production officials are preparing a get-tough policy to deal with inflated requests for metal under the Controlled Materials Plan, according to "The Iron Age," national metalworking weekly. This policy is being forced upon them by urgent requests from military and so-called "essential" users that total far more than available production of some items.

The recent NPA directive ordering a 40% cut in all DO orders for nickel is in line with this policy. The directive is encouraging because it indicates official Washington is aware of inflated metal requests—and that they will take steps to bring such requests into line, declares this trade magazine.

It is obvious that a heavy hand will be needed to squeeze the water out of requests for steel, aluminum and copper under CMP. There's a noted tendency to order well ahead of actual need where items are heavily mortgaged by DO's. One defense producer told "The Iron Age" this week he had been encouraged by the Air Force to place orders for all aluminum he might conceivably use during the next 12 months.

Some steel items can't stand much inflation. Structurals, plates and oil country goods traveling the control path are already crowding total output.

Steel officials believe that percentage set-asides for July will be higher than June on every product. If this proves true some companies who have products such as structurals and plates hovering just under 100% control for June will find July quotas taking their total output of these products, asserts this trade authority.

This also highlights the problem of how to allot free tonnage of products equitably when nearly all the output is controlled.

Auto makers are leaving no stone unturned in their search for alloy bars or semi-finished alloy. Their continued high production defies statistical analysis, states "The Iron Age." One company just bought a large shipment of alloy bar stock from Germany. This is one way they are keeping output high.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be 103.9% of capacity for the week beginning May 14, 1951, based on the industry's increased capacity of Jan. 1, compared to a rate of 103.7% a week ago, or an increase of 0.2 of a point.

The scheduled rate the current week is only 0.1 point below the all-time record high for the industry.

This week's operating rate is equivalent to 2,077,000 tons of steel ingots and castings for the entire industry, compared to 2,073,000 a week ago. A month ago the rate was 102.9% and production yielded 2,057,000 tons. A year ago it stood at 101.3% of the old capacity and amounted to 1,931,000 tons.

Electric Output Rises Moderately the Past Week

The amount of electrical energy distributed by the electric light and power industry for the week ended May 12, 1951, was estimated at 6,566,813,000 kwh., according to the Edison Electric Institute.

The current total was 7,113,000 kwh. above that of the previous week, 702,487,000 kwh., or 12.0% above the total output for the week ended May 13, 1950, and 1,309,837,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Fall 2.6% Under Previous Week

Loadings of revenue freight for the week ended May 5, 1951, totaled 803,337 cars, according to the Association of American Railroads, representing a decrease of 21,325 cars, or 2.6% below the preceding week.

The week's total represented an increase of 59,341 cars, or 8% above the corresponding week in 1950, and an increase of 35,010 cars, or 4.6% above the comparable period of 1949.

Auto Output Rises Slightly in Latest Week But Falls Far Short of Year Ago

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 158,111 units, compared with the previous week's total of 154,487 (revised) units and 174,480 units a year ago.

Ward's said a 3,000-unit production gain by Chrysler over the previous week offset a decline by Kaiser-Frazer, which suspended operations for two weeks for defense program preparations. Packard was down a half-day on Wednesday of the past week because of body-supplier labor trouble, and Plymouth output declined slightly because of labor trouble, Ward's added.

For the United States alone, total output was 148,381 units against last week's revised total of 144,794 units, and in the like week of last year 167,282. Canadian output in the week totaled 9,730 units, compared with 9,693 units a week ago and 7,198 units in the comparable 1950 week.

Total output for the current week was made up of 117,022 cars and 31,359 trucks built in the United States and a total of 7,045 cars and 2,685 trucks built in Canada.

Business Failures Advance for Week

Commercial and industrial failures rose to 181 in the week ended May 10 from 153 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were down somewhat from a year ago when 217 occurred, they exceeded the 1949 total of 171. Continuing far below the prewar level, failures were off 44% from the 321 recorded in 1939.

All of the week's increase occurred among small casualties, those having liabilities under $5,000, which rose to 47 from 28, but did not reach last year's level of 49.

Wholesale Food Price Index Picks Up Ground The Past Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned higher last week, continuing the up-and-down movement of the past few weeks. The May 8 figure rose to $7.18, from $7.14 the week before. It was up 21.9% over the year-ago index of $5.89 and 20.5% above the pre-Korea level of $5.96. Compared with the year's high of $7.31 touched on Feb. 20, there was a drop of 1.8%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Recedes Further

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly in a narrow range during the past week. The index closed at 321.36 on April 8, down slightly from 321.77 a week earlier, but still well above the 259.85 recorded on the corresponding date a year ago.

Grain futures markets were nervous and uncertain last week with prices generally moving lower.

Wheat declined despite bullish crop developments. Early reports of serious damage to the Winter wheat crop received confirmation by recent reports of private forecasters indicating the smallest crop since 1943. The estimate is for a yield of 625,000,000 bushels, or 125,000,000 bushels less than was raised last year. Weakness in corn was largely influenced by the belief that the acreage planted to the yellow cereal will be larger than originally scheduled. Export movement of corn continued in good volume. Field work and planting of the new corn crop was reported making good progress. Trading in all grain futures on the Chicago Board of Trade increased the past week. Sales totaled 218,782,000 bushels, or a daily average of 36,464,000 bushels, the latter comparing with 25,803,000 the previous week, and 55,227,000 in the same week last year.

Some improvement in bookings of hard Winter wheat bakery flours and Spring wheat varieties was noted in the first half of the week. The cocoa market was easier in the absence of outside interest coupled with slow demand from manufacturing interests.

Raw sugar prices continued to rise aided by good refiner and industrial demand. Activity in refined sugar broadened considerably late in the week.

Trading in coffee was very slow with prices holding in a narrow range. Cottonseed oil and lard were depressed, reflecting easiness in hogs and other vegetable oils. Prices for cattle, sheep and lambs extended the decline of recent weeks.

Prices for spot cotton and the May futures contract remained at ceiling levels last week. Some easiness appeared in the more distant deliveries as the result of liquidation influenced by more favorable weather conditions reported in some sections of the belt, improvement in the war news from Korea, and continued dullness in the cotton gray goods market. Another bullish feature was the announcement of an addition of 200,000 bales to the cotton export quota, bringing total allocations for the season to 3,696,000 bales. Activity in spot markets increased last week. Total sales in the ten spot markets were 72,900 bales, compared with 47,600 the previous week and 210,100 in the corresponding week last year. Mill demand was rather limited and mostly for prompt shipment. Interest in cotton for export was somewhat improved. Business in cotton gray cloth markets was confined largely to resales, with prices for most print cloth constructions trending downward.

Trade Volume Stimulated by Mild Weather

The prevalence of mild weather throughout much of the nation helped to increase consumer spending slightly in the period ended on Wednesday of last week; total dollar volume of consumer's goods purchased was slightly above the level for the similar period in 1950, states Dun & Bradstreet, Inc., in its weekly summary of trade. The demand among shoppers for soft goods was relatively higher than that for durables in many communities, despite widespread promotions of the latter.

Total dollar volume of retail food increased somewhat in the week and was moderately above the level of a year earlier. While there was much consumer resistance to such higher-priced items as some cuts of fresh meat, some canned produce and delicacies, the call for fresh fruits, vegetables and many dairy products was of sufficient magnitude to compensate for this.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from unchanged to 4% above a year ago. Regional estimates varied from levels of a year ago by these percentages:

New England and Midwest +1 to +5; East, Northwest, and Pacific Coast 0 to +4; South +3 to +7, and Southwest +2 to +6.

There continued to be no perceptible change in wholesale orders in the week; a general unwillingness on the part of retailers to place further orders in view of ample inventories was somewhat offset by a gradual increase in government bookings for the defense program. The total dollar volume of ordering was moderately above the level for the similar 1950 period. The number of buyers attending various wholesale centers was slightly above that of last week and of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 5, 1951, increased 8% from the like period of last year. This compared with an increase of 3% in the previous week, and an increase of 6% for the four weeks ended May 5, 1951. For the year to date department store sales registered an advance of 12%.

Retail trade in New York last week was stimulated by favorable weather and gift buying for Mother's Day which resulted in a higher sales volume level than that for the like period of last year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period of May 5, 1951, advanced 10% from the like period of last year. In the preceding week an increase of 5% was registered above the similar week of 1950. For the four weeks ended May 5, 1951, an increase of 9% was recorded above that of a year ago, and for the year to date, volume advanced 12% from the like period of last year.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you read the different market letters issued by services and brokers you probably know that the general opinion now is that if the industrials get below 252, and the rails in the meantime refuse to go above their old highs, "a new evaluation of the market will have to be made."

Some of these forecasts are more direct. Instead of speaking of "new evaluations," they mention the word "reaction."

* * *

Anybody can sell them when they're going down. It doesn't take any initiative. All one does is follow the crowd. The fact that the crowd seldom makes good guesses is besides the point.

* * *

A month or so ago when the market was down the opinion was that prices would go lower but eventually everything would go up. This column took a different tack. It said the market was low enough for the time being and a rally was right around the proverbial corner. But instead of more down followed by a lot of up, I thought there would be immediate up followed by a lot more down than generally anticipated.

* * *

Well the up came and the pessimists of the period promptly began singing cheerful songs again. Three weeks ago, when the market was strong and had everybody's well wishes, this column again said that the time to sell was when they were strong. It further advised that selling not be postponed too long. Because even if they were going higher there were enough signs of coming reaction to alert the wary.

* * *

As this is being written, stocks are down and the warnings of new reactions are plentiful. Before telling you what the market looks like from here, I wish to emphasize that I don't have any systems or any private pipe lines. Some time ago I mentioned a market characteristic that employed a delayed action that called for performance that moved in units of 10. At this writing (Tuesday afternoon) it looks like the market has about completed its 10-day down move and a rally might be underway in the immediate future.

* * *

Where such a rally will carry them is something I can't answer. Probably about 10 points from the current low. But somewhere between the end of May and the end of June I believe there'll be another setback that can carry the industrials down to around 230.

* * *

I could go into greater detail about this 10-day deferred move the market is frequently heir to, but I would only confuse you; besides I'd have to cite examples which would call for research and I'm not inclined to do that. Incidentally, may I suggest to G. H. L., of Miami Beach, that his question on short sales and the percentage of protection be taken up with his margin clerk. Any statement I make would hardly be binding on his broker. In the final analysis it would be the broker who'll decide when a 75% margin was whittled down enough to call for additional cash.

In any event, if you're planning on going short why not buy a call and go short against it. It'll cost a little more but it's a lot safer. But why go short here at all! The time to do that is on strength, not weakness.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Continued from page 8

Production, Not Inflation, Our Serious Problem

year to year, as it will if we try hard enough, the amount left over for other purposes after satisfying our defense needs will obviously be greater than if our total production stands still or falls backward.

Thus, more and more production—the build-up of the real strength and the expansion of the real output of our economy—is the most fundamental single approach to all of the economic problems which now confront us in view of our defense task. The problem of expanding production is even more important than the problem of controlling inflation, because inflation results from scarcities, and in the long run it is only production that can provide abundance.

Production Expansion—Our Foremost Economic Problem

In the final analysis, all of our material needs both military and civilian are supplied from the output or production of our economy. Therefore, we have available for all purposes in the long run what we can produce—no more and no less.

This total production, under current and foreseeable circumstances, must be divided among three great purposes. One of these purposes is personal consumption —which means most of the things that families all over the country need to maintain their standard of living. Personal consumption includes food, clothing, hard goods, and so forth. The second great purpose to which part of our total output or production must be devoted is business investment. In other words, just as material and manpower are involved in making things for personal consumption, so material and manpower are used by our industrial system in building the plants and tools, etc., which manufacture and process goods both for civilian use and for military use. The portion of our total national output which goes into this kind of business investment is much smaller than the portion which goes into personal consumption, but nonetheless it is very vital because it is at the core of our industrial progress. The third great purpose to which our national output or production is devoted comprises those things which people do jointly through government, instead of doing privately as individuals or as private organizations. The necessary functions of government are manifold, but one of the first mentioned in our Constitution is to provide for the common defense. It is this responsibility of providing for the common defense which is now causing government programs to expand rapidly. The strain upon our economy arises from the fact that as the govermental programs grow because of rising national defnese, there is less left over for the other two great purposes to which I have referred—personal consumption and business investment.

This in essence is what creates the strain upon our economy. Less left over for personal consumption means that the people have to do without things that they would be able to get in normal peace times. And less left over for business investment means difficulty in expanding that productive capacity which in the long run we must rely upon to reduce the strain upon our economy by increasing the total output.

Now bearing in mind these three great purposes — personal consumption, business investment, and governmental programs including national defense — what are the facts?

First of all, the total size of government programs (including Federal, State and local) will expand greatly over the next several years, reflecting the expansion of the defense program. For example, the totality of all governmental programs, running at an annual rate of more than $55 billion in the first half of this year, will rise to an annual rate of more than $70 billion in the second half of this year, almost $85 billion in the first half of 1952, and nearly $90 billion in the second half of 1952. This expansion, which is obvious from the reading of the figures, is the primary reason for the strain upon our economy. All of these figures are in uniform prices (fourth quarter of 1950 prices) to make the comparisons realistic.

If our economy were to remain at a constant level of total production or output, the expanding strain imposed by the defense program would indeed become severe or even unbearable. It would necessitate enormous curtailment of personal consumption. It would also force business investment down to so low a level that our productive strength would be weakened for the long pull. But the saving factor, arising out of the genius of the American economy, is that we do not have to impose the burden of national defense upon a constant or static economy. Instead, through a progressive and growing economy, we can gradually lighten the effect of this burden.

The total output or production of our economy in 1949 was about $267 billion. In 1950, it rose to $287 billion, a gain of about $20 billion. In the first half of 1951, the annual rate is estimated at $307 billion, or $20 billion higher than for the year 1950. It is further estimated that, by the second half of this year, the annual rate can rise to about $320 billion. It can further rise to nearly $330 billion by the first half of 1952, and to considerably more by the second half of 1952. Thus, by the end of next year, our total output can be about $25 billion higher on an annual basis than it is now, and more than $65 billion higher than it was in 1949.

These figures which I have just been citing are not based upon changes in the price level. They are measurements of actual output in a dollar of constant value. Nor are these estimates of how economy can grow over the next two years the product of superficial optimism. They are conservative estimates based upon our manpower resources, our industrial equipment, our financial resources, and our technology. They are just as conservative as some of the estimates of national growth which I have made in the past, which many people thought were unrealistic, but which in fact were exceeded by the demonstrated accomplishments of the American economy.

This national economic growth which we must now seek requires that we should encourage and plan carefully a high level of business investment in the tools and plants which mean more production. We must make sure that farmers get the fertilizer and equipment which mean more production. We must be willing to work the longer hours which mean more production. We must encourage the scientific study and inventiveness which mean more production. We must make the public investment in certain types of natural resources development which means more production. In the very short run, these very activities which will increase our productive strength in a year or so add to the immediate inflationary pressures. This is part of the price we must pay today for a sound solution tomorrow. As the vast expansion plans now being undertaken by private enterprise with government stimulation are carried through, we shall within a year or two build up production enough to overcome inflation, and at the same time carry the heavy defense burden which world conditions force upon us.

If we achieve this national economic growth—and we can—how much strain will the expanding defense program impose upon our economy? As I have said, this involves two questions—the effect upon personal consumption, and the effect upon business investment.

In the case of personal consumption, a defense program of the size contemplated, if our economy grows as it should, would have about this effect: The total of personal consumption should remain fairly constant between now and the end of 1952. The consumption of durables, such as automobiles and other hard goods, will need to be cut back sharply but by no means critically. This cutback will about be compensated for by increasing supplies of soft goods, the most important of which, of course, is food. Thus the defense program will prevent us from making the yearly progress in consumption and standards of living which we could otherwise make. It will force us to sacrifice this rate of progress. And since personal incomes will be rising rapidly, while total consumption must be held fairly constant, we will be forced to make sacrifices in the form of fairly drastic restraints upon spending— through higher taxes, credit controls, and vigorous savings programs. Only if these measures to restrain excessive purchasing power are adopted will it be possible for price and wage stabilization to be effective. These are sacrifices which we must make, but since they will still leave us with higher standards of living than we ever enjoyed before World War II, and infinitely higher standards of living than those enjoyed anywhere else in the world, to say that the defense program imposes an excessive strain upon our economy is a complete misreading of the facts and a complete failure to appreciate the gravity of the international problems which we must meet.

With the levels of production for defense and for civilian consumption indicated above, how much of the resources of our economy would remain available for the third great purpose to which I have referred—the maintenance and expansion of the industrial mobilization base which is at the core of our productive strength. In 1948, which was considered a very good year, the total of private domestic investment was at

an annual rate of about $46 billion. In the second half of 1950, the annual rate was $54½ billion, and in the first half of 1951 the annual rate is estimated at about that same level. In order that other needs may be served, this extraordinarily high rate of total domestic investment must be considerably reduced in the period ahead, probably to an annual rate of between $40 and $45 billion in 1952. The major part of this reduction will need to be in the field of new construction, including housing. But the level of investment in producers' durable equipment — the industrial mobilization base—must be kept very high. Over the next year and a half or so, it ought to be maintained at an annual rate approximating $25 billion. This is considerably higher than the $22½ billion annual rate in 1948, although it is considerably lower than the annual rate of $27 billion in the first half of 1951. The degree of our success in maintaining this high rate of investment toward the improvement and expansion of our productive tools—and the channeling of this investment into those lines that are needed most and away from those lines which are needed least—will more than anything else determine whether our economy will be able to expand its total annual output enough within a couple of years to serve each of the three great purposes that I have listed adequately and without excessive strain.

The programs which we adopt must be adjusted to the dual purpose of expanding production while restraining inflationary pressures. Such a program calls for more complete utilization of the labor force, and, at least in certain key areas, a longer workweek. It calls for the constant improvement of technology. It requires comprehensive planning and apportioning of total resources among defense needs, civilian needs, and the industrial mobilization base in accord with a well-thought-out economic strategy designed to maximize our total strength for the long pull. It calls for a considerable range of controls now, to contain immediate and prospective inflationary pressures.

Fighting Inflation

Inflation in the final analysis reflects shortages. It reflects our inability to produce enough, quickly enough, to supply our rapidly expanding defense needs and at the same time to supply us with those other things to which we have become accustomed and have grown to expect. The more we expand production, the more quickly we shall be able to carry the burden of a defense program of the size now contemplated without inflationary strains.

Consequently, while we must all make sacrifices and accept restraints until production can catch up with the new needs and responsibilities which the world situation thrusts upon us, nonetheless the greatest contribution that all of us can make is not in the form of negative sacrifices or restraints but rather in the form of affirmative service—the kind of service that results in more production.

There is no conflict between the fundamental long-range remedy of expanding production and the short-run immediate need for restraining inflation, provided that the production is well planned and is directed to the things we need most and which will add most to our real strength, while at the same time we cut down on the production of non-essentials. It is true that we could somewhat lessen the inflationary pressures by cutting down on the vital production expansion programs which take time to bear fruit. But to do this would be just as foolish in the long run as to try to reduce inflationary pressures by cutting down on national defense.

If we want a solution in reality and not just on paper, the order of priority which we must give to our great problems is this: First, we must build up our defenses as rapidly as we can to the levels determined by those charged with responsibility for our national security; second, we must make a comprehensive, vigorous and far-sighted effort to expand production and thus build up our real economic strength; and third, in support of these two great efforts and consistent with them, we must fight inflation. If we try to do the third job alone without the other two, we shall neither overcome inflation nor attain a durable peace.

Within this framework, what has been happening on the inflationary front, and what can we do about it?

Since the original Korean outbreak in the middle of last year, the general trend has been indeed inflationary. Since then, the average of all wholesale prices has risen about 16½%. The wholesale prices of 28 vital commodities — those of great importance both on the industrial and on the farm side—have risen about 40%. The Consumers' Price Index has risen about 8½%, while retail food prices have risen about 11½%, and housefurnishings have risen about 14%. Apparel has risen about 10%.

It is clear that our economy could not tolerate a continuation of inflation at that rate. During the past month, in fact, there has been practical stability in the average level of all wholesale prices, and some decline in the prices of the 28 important commodities. Retail prices react somewhat more slowly, but the rate of increase has been slackening and there may be prospect of some levelling off or even some decline over the next few months.

This change is due in part to the imposition of controls, both indirect and direct. It is also due to the fact that the rate of inflation after the Korean outbreak was in part due to speculative factors which could not be maintained indefinitely, rather than being a true reflection of the basic economic situation. In other words, the size of the defense program relative to the total output of our economy has not been big enough to justify or sustain indefinitely the rate of inflation which has thus far occurred.

The problem now is to interpret the current situation and the foreseeable outlook. There are some people who, in my opinion, are misconstruing the levelling-off or softening-up process which now seems to be taking place. Some are talking about a prolonged recession or even a short depression, and this talk seems to me utter nonsense in the face of the economic situation as a whole. Others, while not going this far, are using the prospect of a brief halt in the upward inflationary trend to advocate the relaxation of existing controls, or to urge further delay in those portions of an effective anti-inflationary program which have not yet been put into effect. It seems to me that this viewpoint is highly fallacious and fraught with much danger.

There may be, although I am by no means sure that there will be, some faltering in the inflationary pressures during the next few weeks or even months. There are a number of reasons for this, one of which is the simple fact that even a long-run inflationary trend does not generally move upward in a straight line, but rather in a wavering line, and consequently there are short spaces in the line when it seems to be moving sideways or even downward instead of upward.

Despite this possibility of some wavering, the basic pressures are inflationary, and these will augment before many months have passed. The government will move progressively toward a large deficit, as defense outlays increase much more rapidly than revenues will increase under taxes thus far enacted. A large deficit is obviously inflationary. Defense orders, defense spending, and defense production will increase in almost geometric ratio for many months to come, because that is the very nature of an expanding defense program, the goal of which is to reach by the end of next year a level four or five times as high as it was in 1950. With an expansion of basic industrial and agricultural production, practically all major types of income will increase—business income, farm income, and wages. By the first quarter of next year, *even assuming an effective stabilization program*, the annual rate of income receipts by workers, business, farmers and others may be $35 to $40 billion higher than in the first quarter of 1951. And this income will far exceed the goods which are available for purchase by those receiving the income, because the income will be generated both by defense production and by civilian production, while only civilian production will be available to those who are receiving the income. The analysts disagree as to how much levelling off or softening there will be over the next few months; but the analysts are in almost unanimous agreement that the inflationary pressures will be much greater later on, and not in the very distant future, than they are now.

I want to stress most emphatically that I am not predicting more inflation and much higher prices. I am merely predicting more inflationary pressures. These pressures would certainly cause more inflation and much higher prices if we do not take effective action to contain the pressures. But I believe that this effective action can be taken, that in fact some of it already has been taken, and that we must build further on the foundations thus far laid.

If there is going to be a softening of inflationary pressures over the next few weeks or months, that will be the most auspicious and favorable time in which to strengthen the anti-inflationary program. If we wait until the inflationary pressures mount again, we shall have lost precious time and find ourselves again in a situation where it is hardest to put on the brakes because the machine is moving so fast.

The essential elements of an effective anti-inflationary program are clear.

First of all, after cutting out non-essential expenditures, there must be enough taxes to balance the budget and put the defense effort on a pay-as-you-go basis. Paying more taxes does not change the cost or burden of national defense. It simply faces that cost frankly, and the only alternative is to pay that cost through inflation—which is less fair and more dangerous in the long run. To accomplish this tax purpose, there is need for prompt enactment of at least the additional taxes contained in the proposals of the President now pending in the Congress. This means about $10 billion in additional taxes. From the viewpoint of fighting inflation, the fact that there happens to be no very big deficit at this moment is immaterial. If the additional tax program is not enacted now, there will be a huge deficit by the end of the year as the defense program mounts, and that would add enormously to the up-surge of inflation.

Practically everybody is in agreement as to the need for large, additional taxes. But almost every group seems to have a different tax program, designed to place the tax burden elsewhere than on itself. It is highly important that these groups recognize that everybody must share in the cost of national defense, that there is no such thing as a perfect tax program, and that, unless in the face of a common danger these groups unite in support of a reasonable tax program along the lines of what the President has proposed, we shall probably fail in the main objective of getting the tax action which will help to protect everybody from inflation and which the nation sorely needs. A tax program which avoids a large and growing deficit is at the heart of fighting inflation. If the excess purchasing power is not drained off, demand will so far exceed supply that the direct controls—such as price and wage controls — cannot succeed adequately for any length of time.

Besides taxation, credit control should be used to cut down excess purchasing power. Some credit controls have already been effectively applied, in connection with the purchase of housing and automobiles. Other measures are needed to cut down on excessive business credits without impairing necessary productive expansion. Further consideration will need to be given to more effective forms of credit restraint than those thus far applied.

Price and wage stabilization is now under way. This is a most difficult undertaking in our complex economy. It requires patience, persistence, and public realization that it cannot become fully effective overnight. Actually, this phase of stabilization has accomplished more than it had accomplished in an equivalent period of time during World War II. I believe that further tightening of this phase of the anti-inflationary effort is now necessary.

Insufficient attention is paid by the general public to those parts of the economic program—such as allocations and materials controls —which are so closely connected with the wise use of our resources and with the direction of production into the most useful channels. The Controlled Materials Plan which has recently been announced is a phase of this effort.

All of these anti-inflationary efforts have been commenced and are substantially under way. It would be unfair to say that any of them has yet been completely successful. We must all strive harder to make all of them more successful. But it would be even more unfair to say that real progress has not yet been made. The pace of inflation has been slowed down greatly in the past few months. It must be slowed down further, and finally brought to a stop.

But the American people should soberly realize that the anti-inflationary program cannot be expected to protect them from their share of the sacrifices arising from the necessarily high cost of national defense. Price control can help to distribute the burden of national defense more fairly. But price control cannot enable the people to buy as much as they would like to buy or have the money to buy, because production for national defense subtracts from production for civilian enjoyment. Much higher taxes are needed to combat inflation. But no one should expect to be left in so protected a position that the real buying power of their incomes is as high after tax increases as it was before tax increases—for one main purpose of the tax increases is to cut down on normal peacetime enjoyments so that there will be more for national defense. Anyone who represents that any kind of anti-inflationary program can protect workers or farmers or businessmen or housewives from their share of the burden of national defense is either ignorant or careless. The most that a fair anti-inflationary program can do is to see that the burden is distributed on the fair principle of equality of sacrifice. The burden cannot be removed—without jeopardizing our national safety—until production is greatly increased—and this takes time, work, patience, and understanding. And even this increase in production requires that the people sacrifice normal peacetime habits and make greater efforts. There is no easy road to peace and freedom.

We must check and restrain inflation as much as we can, but we cannot expect complete success immediately. We must not confuse reasonable protection from inflation, which is attainable, with relief from any sacrifice of some of the things we could have in normal peacetime; if we are not willing to place any sacrifices upon the altar of freedom, we will not retain our freedom. We must recognize that the long-range solution lies not simply in the *control* of inflation, but in the increase of production, and therefore we must all plan and work harder to increase production.

Above all, we must realize that the basic threat to our well-being is to be found in totalitarian aggression; that the basic cause of inflation is the steps which we must take to meet that aggression; and that only through winning out in this historic struggle can we in the long run protect the American dollar, the American family or the great experiment in human freedom which was commenced in 1775.

Bankers Offer Gamble-Skogmo Com. Stock

An underwriting group headed by Goldman, Sachs & Co., Merrill, Lynch, Pierce, Fenner & Beane, and Piper, Jaffray & Hopwood on May 14 offered 304,270 shares of common stock of Gamble-Skogmo, Inc. at a price of $8.25 per share. These shares are now outstanding and were sold for the account of a selling stockholder. The offering was oversubscribed and the books closed.

Incorporated in 1928, the company and its subsidiaries, sell merchandise through over 5[illegible] company stores and to 2,000 authorized dealers, located for the most part in towns and small cities in 26 middle-western, northwestern and far western states and in four western Canadian provinces. The company owns 19.1% of the outstanding common stock of Western Auto Supply Co which sells merchandise through company-operated and dealer stores located largely in the states other than those in which the company stores are located.

The company stores are operated east of the Rocky Mountains principally under the name of "Gamble's," in the far west mainly under the name "Gamble's Western Auto Supply" and in Canada under the name "Macleod's."

Reynolds Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—George R. Griffin has become affiliated with Reynolds & Co., 208 South La Salle Street.

Joins Daniel Rice

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harry E. Rice has joined the staff of Daniel F. Rice and Company, 141 West Jackson Boulevard.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Joe B. Mauro is with Walston, Hoffman & Goodwin, American Bank Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 20	103.9	103.7	102.9	101.3
Equivalent to—					
Steel ingots and castings (net tons)	May 20	2,077,000	2,073,000	2,057,000	1,931,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	May 5	6,174,200	6,154,000	6,126,800	5,058,450
Crude runs to stills — daily average (bbls.)	May 5	¶6,283,000	6,236,000	6,092,000	5,399,000
Gasoline output (bbls.)	May 5	20,322,000	19,876,000	19,306,000	18,270,000
Kerosene output (bbls.)	May 5	2,773,000	2,698,000	2,301,000	2,056,000
Gas, oil, and distillate fuel oil output (bbls.)	May 5	8,453,000	8,061,000	8,988,000	7,162,000
Residual fuel oil output (bbls.)	May 5	8,959,000	8,747,000	8,877,000	7,178,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 5	135,764,000	137,474,000	139,728,000	127,431,000
Kerosene (bbls.) at	May 5	16,802,000	15,635,000	13,533,000	13,364,000
Gas, oil, and distillate fuel oil (bbls.) at	May 5	45,247,000	43,859,000	42,354,000	37,466,000
Residual fuel oil (bbls.) at	May 5	36,095,000	36,080,000	36,532,000	38,766,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 5	803,337	824,662	739,523	743,996
Revenue freight received from connections (number of cars)	May 5	701,382	702,581	699,053	654,828
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 10	$294,770,000	$270,573,000	$311,168,000	$183,343,000
Private construction	May 10	174,824,000	166,513,000	188,188,000	90,214,000
Public construction	May 10	119,946,000	104,060,000	122,980,000	93,129,000
State and municipal	May 10	90,851,000	70,210,000	69,562,000	64,654,000
Federal	May 10	29,095,000	33,850,000	53,418,000	28,475,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 5	9,670,000	*10,460,000	9,110,000	10,983,000
Pennsylvania anthracite (tons)	May 5	749,000	725,000	465,000	953,000
Beehive coke (tons)	May 5	138,600	*139,700	113,300	125,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 5	326	293	292	301
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 12	6,566,813	6,559,700	6,746,975	5,864,326
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	May 10	181	163	172	217
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 8	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	May 8	$52.69	$52.69	$52.69	$46.38
Scrap steel (per gross ton)	May 8	$43.00	$43.00	$43.00	$32.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 9	24.200c	24.200c	24.200c	19.200c
Export refinery at	May 9	24.425c	24.425c	24.425c	19.425c
Straits tin (New York) at	May 9	142.000c	142.000c	150.500c	77.125c
Lead (New York) at	May 9	17.000c	17.000c	17.000c	11.250c
Lead (St. Louis) at	May 9	16.800c	16.800c	16.800c	11.050c
Zinc (East St. Louis) at	May 9	17.500c	17.500c	17.500c	11.775c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 15	97.30	97.58	98.69	102.64
Average corporate	May 15	111.44	111.62	112.19	115.82
Aaa	May 15	115.24	115.43	115.63	120.84
Aa	May 15	114.46	114.46	114.66	119.20
A	May 15	110.52	110.88	111.25	115.43
Baa	May 15	106.04	106.04	107.27	108.52
Railroad Group	May 15	108.16	108.16	109.06	110.88
Public Utilities Group	May 15	111.44	111.44	112.19	116.80
Industrials Group	May 15	115.04	115.24	115.24	120.02
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 15	2.68	2.66	2.59	2.30
Average corporate	May 15	3.09	3.08	3.05	2.86
Aaa	May 15	2.89	2.88	2.87	2.61
Aa	May 15	2.93	2.93	2.92	2.69
A	May 15	3.14	3.12	3.10	2.88
Baa	May 15	3.39	3.39	3.32	3.25
Railroad Group	May 15	3.27	3.27	3.22	3.12
Public Utilities Group	May 15	3.09	3.09	3.05	2.81
Industrials Group	May 15	2.90	2.89	2.89	2.65
MOODY'S COMMODITY INDEX	May 15	498.0	510.2	515.9	382.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 5	379,141	202,342	328,223	269,661
Production (tons)	May 5	252,896	248,326	253,702	207,307
Percentage of activity	May 5	107	105	106	92
Unfilled orders (tons) at	May 5	771,457	646,878	778,034	404,445
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	May 11	153.9	153.9	154.2	120.6
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Apr. 28	31,997	29,067	28,514	32,672
Number of shares	Apr. 28	960,080	856,153	821,113	1,006,291
Dollar value	Apr. 28	$43,603,485	$38,528,573	$34,246,152	$39,402,651
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 28	29,541	27,239	24,846	37,338
Customers' short sales	Apr. 28	222	202	447	248
Customers' other sales	Apr. 28	29,319	27,037	24,399	37,096
Number of shares—Total sales	Apr. 28	820,862	749,387	691,592	1,076,774
Customers' short sales	Apr. 28	7,839	7,066	16,981	9,352
Customers' other sales	Apr. 28	813,023	742,321	674,611	1,067,422
Dollar value	Apr. 28	$34,634,428	$31,433,463	$27,785,049	$38,804,350
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 28	242,450	223,650	203,710	373,930
Short sales	Apr. 28	------	------	------	------
Other sales	Apr. 28	242,450	223,650	203,710	373,930
Round-lot purchases by dealers—					
Number of shares	Apr. 28	392,270	328,800	339,090	285,250
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 8	182.9	183.4	183.0	155.4
Farm products	May 8	198.5	201.1	201.3	163.2
Grains	May 8	188.3	188.1	188.5	173.5
Livestock	May 8	261.9	269.9	268.7	216.7
Foods	May 8	188.8	188.6	185.7	158.6
Meats	May 8	277.8	279.1	272.0	232.0
All commodities other than farm and foods	May 8	171.4	171.6	171.9	147.5
Textile products	May 8	183.4	183.6	184.3	136.0
Fuel and lighting materials	May 8	138.4	138.3	138.8	131.8
Metals and metal products	May 8	189.6	189.6	189.9	169.5
Building materials	May 8	227.5	227.5	227.6	197.7
Lumber	May 8	358.9	358.9	358.9	‡
Chemicals and allied products	May 8	144.4	143.9	144.9	116.9

*Revised. ‡Not available. ¶Includes 548,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of April	8,832,000	*9,071,055	8,224,504
Shipments of steel products, including alloy and stainless (net tons)—Month of March	7,105,078	5,776,229	5,723,340
AMERICAN PETROLEUM INSTITUTE—Month of February:			
Total domestic production (bbls. of 42 gallons each)	181,672,000	200,424,000	152,631,000
Domestic crude oil output (bbls.)	166,041,000	183,110,000	139,073,000
Natural gasoline output (bbls.)	15,622,000	17,305,000	13,587,000
Benzol output (bbls.)	9,000	9,000	21,000
Crude oil imports (bbls.)	13,096,000	15,472,000	11,499,000
Refined products imports (bbls.)	13,143,000	14,958,000	7,663,000
Indicated consumption domestic and export (bbls.)	219,085,000	243,647,000	189,482,000
Decrease—all stocks (bbls.)	11,174,000	12,793,000	17,639,000
COAL OUTPUT (BUREAU OF MINES)—Month of April:			
Bituminous coal and lignite (net tons)	41,977,000	44,490,000	*46,615,000
Pennsylvania anthracite (net tons)	2,573,000	2,183,000	3,355,000
Beehive coke (net tons)	550,000	*638,500	493,700
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-1949=100—Adjusted as of March 15:			
All items	184.5	183.8	168.4
All foods	226.2	226.0	196.6
Cereals and bakery products	187.5	187.1	169.1
Meats	271.9	271.2	224.1
Dairy products	204.6	204.4	182.4
Eggs	195.2	179.8	149.5
Fruits and vegetables	217.1	224.3	195.1
Beverages	342.6	342.7	308.5
Fats and oils	177.3	176.5	134.3
Sugar and sweets	186.0	186.0	177.0
Clothing	203.1	202.0	185.1
Rent	134.7	134.0	129.8
Fuel, electricity and refrigerator	144.2	143.9	140.3
Gas and electricity	97.2	97.2	96.9
Other fuels	205.0	204.5	193.1
Ice	154.4	152.8	146.8
House furnishings	210.7	209.7	185.3
Miscellaneous	164.3	163.2	155.0
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Final report:			
Production 500-lb. gross bales	10,012,000	------	16,128,000
FAIRCHILD PUBLICATION RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED AS OF APRIL 1):			
Composite index	148.2	147.6	137.1
Piece goods	139.8	139.4	127.2
Men's apparel	145.6	145.2	138.7
Women's apparel	137.1	136.7	130.0
Infants' & children's wear	136.6	136.1	129.3
Home furnishings	163.0	162.1	146.2
Piece Goods—			
Rayon and silks	116.5	116.7	113.0
Woolens	155.1	154.0	138.2
Cotton wash goods	162.9	162.0	146.0
Domestics—			
Sheets	197.6	195.8	167.1
Blankets and comfortables	169.5	169.1	142.8
Women's apparel—			
Hosiery	107.6	107.5	102.5
Aprons and housedresses	144.7	144.2	141.9
Corsets and brassieres	143.0	142.4	130.8
Furs	145.9	144.2	133.1
Underwear	137.8	137.6	132.9
Shoes	149.2	148.7	140.9
Men's apparel—			
Hosiery	146.9	146.3	139.5
Underwear	165.8	165.3	151.9
Shirts and neckwear	133.7	133.7	129.5
Hats and caps	127.9	127.9	127.4
Clothing including overalls	134.8	134.6	131.3
Shoes	183.7	181.6	168.2
Infants' and children's wear—			
Socks	132.4	132.4	130.4
Underwear	123.0	123.0	118.9
Shoes	159.9	158.1	143.7
Furniture	158.2	157.6	146.8
Floor coverings	192.1	189.1	159.2
Radios	126.0	125.9	117.9
Luggage	135.1	135.2	128.3
Electrical household appliances	148.5	148.2	136.7
China	136.3	136.3	133.1
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of April:			
Industrials (125)	6.12	6.29	6.72
Railroad (25)	5.88	5.85	5.27
‡Utilities (24)	4.74	4.61	4.38
Banks (15)	3.41	3.45	3.44
Insurance (10)	6.18	6.40	5.98
Average (200)	6.35	6.66	6.18
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of April	£1,639,000	£22,618,000	£6,669,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of April 30	$254,747,776	$255,017,643	$255,739,702
General fund balance	6,955,474	8,569,161	4,701,858
Net debt	$247,792,302	$246,448,482	$251,037,844
Computed annual rate	2.243%	2.229%	2.200%
U. S. GOVT. STATUTORY DEBT LIMITATION As of April 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	254,727,111	254,997,006	255,717,941
Guaranteed obligations not owned by the Treasury	20,665	20,637	21,760
Total gross public debt and guaranteed obligations	$254,747,776	$255,017,643	$255,739,702
Deduct—Other outstanding public debt obligations not subject to debt limitation	690,427	692,885	731,755
Grand total outstanding	$254,057,349	$254,324,758	$255,007,946
Balance face amount of obligations, issuable under above authority	20,942,650	20,675,241	19,992,053
ZINC OXIDE (BUREAU OF MINES) — Month of March:			
Production (short tons)	18,604	17,122	20,630
Shipments (short tons)	16,469	17,080	16,608
Stocks at end of month (short tons)	11,245	11,110	14,506

*Revised. ‡Not including stocks of American Tel. & Tel.

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Transportation and the Investor

facilities has been so apparent we have actually had available in the aggregate more and better transportation than at any time in our history. We cannot appreciate the extent and the efficiency of our transportation without some consideration of its history and development.

Growth of Competitive Transportation

Perhaps we can more readily grasp the growth of our transport facilities by comparing the years 1939 with 1949. 1939 was just before the upswing of traffic due to the outbreak of the second World War. 1949 was far enough away from the second World War to reflect the economic conditions in this country as businessmen expected them to be in an era of relative peace and reasonable normal international trade relations. Certainly the year 1949 was not affected by the present emergencies which have developed since June, 1950.

If we omit the non-revenue traffic of the railroads and the coastwise and intercoastal traffic, we find in terms of intercity ton miles 527 billion in 1939 as against 870 billion in 1949. This shows an increase in ton miles of about 65%. When we break these ton miles down, according to the performance of each transport agency, we find that in 1939 the rails accounted for 339 billion ton miles, or 64¼% of the total, whereas 10 years later the railroads supplied 534 billion ton miles in 1949, or more than the total of all the transport agencies 10 years earlier. Yet the railroads in 1949 had 61% of the total of 870 billion ton miles comparable to 64% of the 527 billion ton miles in 1939. The inland waterways, exclusive of the coastwise and intercoastal traffic, accounted for 88 billion ton miles in 1939 and for 132 billion ton miles in 1949. The 88 billion ton miles in 1939 constituted 16¾% of the total whereas the 132 billion ton miles in 1949 made up 15¼%. Or, to put it another way, the total intercity ton miles performed by all agencies of transport increased 343 billion ton miles, 1939 to 1949, and the railroads accounted for almost 195 billion of the increase. The inland waterways accounted for another 44 billion. The pipe lines accounted for approximately 55 billion of these additional ton miles by doubling their performance of about 55 billion ton miles in 1939 to about 110 billion ton miles in 1949.

While the inland waterways during this decade increased their ton mile performance 44 billion ton miles, and the pipe lines 55 billion, the intercity trucks accounted for an increase of 50 billion ton miles. That is, the intercity transportation by over the road highway carriers rose from about 44 billion ton miles in 1939 to approximately 94 billion ton miles in 1949. To sum up, this increase of 343 billion ton miles between 1939 and 1949 was made up: 44 billion ton miles on the inland waterways, 50 billion ton miles on the highway, 55 billion ton miles by pipe line, and 195 billion ton miles by railroad. So far as transportation of freight is concerned, the airways remain still a speck in the sky, though the speck may be said to have increased to almost the size of a man's hand. In 1939 the airways carried 12 million ton miles of freight, and in 1949 this had increased to about 236 million ton miles. So of the 870 billion ton miles less than one-quarter of one billion was by air.

For 1950 it has been roughly estimated that ton-miles of intercity transportation total 980 billion, the railway portion of which is an estimated 598 billion. If the increase in total ton miles of 1950 over 1949 of about 110 billion is largely due to the emergency situation then we may say that about 900 billion ton miles will be required of our various transport activities to care for our current peacetime economy, or a level somewhat higher than that of the year 1949. If either war, or measures to prevent war, absorb any portion of this 900 billion ton miles, it would seem that much of that will be represented by goods diverted from ordinary peacetime to emergency uses. In addition, the carriers will of course be expected to carry a greatly increased load of materials for defense or war purposes.

The decided pickup in traffic during the past 18 years accounts for several notable changes of great interest to the investor. Instead of more than 70 thousand miles of railroad being in bankruptcy, the Missouri Pacific System is the only large system left for financial reorganization. After taking out the Missouri Pacific, there are only 900 miles involved in bankruptcy proceedings, financial reorganizations and voluntary debt reduction on the part of many carriers have had a marked effect on the capital structure of the railways since 1940. Between the close of the years 1920 and 1948 the number of miles of road owned by all railways in the United States declined about 10%, the investment in road and equipment before depreciation increased about 40%. During these years the funded debt decreased approximately 16%.

Under the pressure of inadequate earnings during the decade of the thirties very substantial economies were achieved, for example, in maintenance. Under another type of pressure from the demand to handle increasing traffic during the decade of the forties great progress was made in effecting economy and efficiency in operation. The savings in fuel through dieselization, the increased length and speed of freight trains, the heavier loading of cars, and the increased average length of haul are all reflected in reduced expenses per ton mile.

The relative position of the railroads in the over-all transport picture may also be viewed in the light of total expenditures for furnishing transportation. I have been furnished rough estimates of these total expenditures for the years 1936 and 1949. In 1936, it has been estimated that the annual outlay for furnishing all kinds of transportation amounted to some $20,000,000,000. In 1949, a similar estimate would amount to an expenditure of more than $57,000,000,000. In both these years it is roughly estimated that about seven-tenths of such stupendous expenditures were for privately-owned and operated and unregulated transportation. The so-called family car or the private automobile accounted for about one-half of the total. The expenditures for passenger and private automobiles more than doubled between 1936 and 1949, and the expenditures on private, unregulated trucks were over three times as great. The expenditures in 1949 are estimated to have been more than double those of 1936 in the case of privately-owned automobiles and the railroads, those of domestic water transportation in 1949 were almost three times those in 1936, while expenditures of motor carriers of property, both unregulated and regulated, almost quadrupled during these 13 years. According to these estimates in relation to the entire outlay in behalf of all transportation, the railroads fell from 20% to 17%; and in relation to expenditures by regulated carriers, they fell from about 80% to 72% of the total.

Recent Rise in Railroad Stocks

The collective judgment of investors as recorded by Standard & Poor's sets forth that in the year ending January, 1951 the index of the closing price of 20 railroad stocks rose from 43.7 to 62.3, while the yield to the investor on the market price on these stocks declined from 7.06% to 5.98%. These same reports show that railroad common stocks sold at a slightly better price as compared with their dividends than other industrial or utility stocks. Prior to World War II it was not uncommon for railroad stocks to sell at a higher price as compared with their yield than industrials and utilities even when the financial position of the roads was not good. But since 1942 railroad stocks have uniformly sold at a relatively low price as compared with their dividends until the rise in the prices of railroad securities since the middle of 1949. Railroad A-1 plus bonds during March, 1951, sold to yield 2.77%, and the A-1 railroad bonds sold to yield 2.89%. Railroad common stocks sold in March, 1951 to yield 6.27%. The stocks of other public utilities were bought to yield 5.89% and the stocks of industrials were purchased to yield 6.92%. It is most interesting to note that investors regard the stocks and bonds of railroad companies so highly. This is a far cry from the occasion in 1938 when we were discussing the railroad crisis and how to meet it.

No Restraint on Bawl St. Journal

The Bond Club of New York has announced that there will be no restraints, voluntary or otherwise, on publication of its annual burlesque paper, "The Bawl Street Journal." The 1951 edition will make its appearance at the Bond Club Field Day on June 8 and copies will be available for circulation in other cities throughout the country on the same date.

Robert C. Johnson, of Kidder, Peabody & Co., New York, the paper's circulation manager, announced that subscriptions are now being received for delivery on the day of publication. The paper will also be on sale in the financial district on the day of the outing.

An innovation this year will be a special mailing service to be set up at Field Day headquarters so that Bond Club members can order gift copies to be sent to friends.

"The Bawl Street Journal" Publication Committee, which is winding up several months of editorial preparations, promises a new high in laughs and entertainment. There will be fanciful stories on MacArthur becoming overlord of the New York Stock Exchange, the gigantic steel mill being operated in Washington, D. C. and the usual comic advertisements including the startling secrets of the HST School of Correspondence.

Joins E. F. Hutton

(Special to The Financial Chronicle)

CHICAGO, Ill.—George S. Smith, Jr. has been added to the staff of E. F. Hutton & Company, Board of Trade Building.

With F. S. Moseley & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Joseph R. Pryor is now affiliated with F. S. Moseley & Co., 135 South La Salle Street. He was previously with Central Republic Company.

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Dealer-Broker Investment Recommendations and Literature

Iowa Electric Light & Power Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Iowa Illinois Gas & Electric Company—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Lonsdale Company—Report—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y. Also available is a memorandum on **S. S. White Dental Manufacturing Co.**

National City Bank of New York—Table of related values—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

National Motor Bearing Co., Inc. — Memorandum — Davis, Skaggs & Co., 111 Sutter Street, San Francisco 4, Calif.

Northern Pacific Railway Co.—Analysis—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill. Also available is an analysis of **United Air Lines, Inc.**

Old Ben Coal Corporation—Bulletin—Scherck, Richter Co., Landreth Building, St. Louis 2, Mo. Also available is a bulletin on **Chicago, Wilmington & Franklin Coal Co.** and brief data on **Franklin County Coal Corporation, Zeigler Coal & Coke Company** and **Truax-Traer Coal Company.**

Paramount Pictures Corporation—Analysis—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.

Pickering Lumber Corporation—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Placer Development, Ltd.—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Riverside Cement Company — Card memorandum — Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**

Standard Gas & Electric—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a list of **Undervalued Common Stocks** and a list of **Common Stocks** with a dividend record of 25 years or more.

Vacuum Concrete Corporation — Analysis — Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

Valley Mould & Iron—Circular—duPont, Homsey & Co., 31 Milk Street, Boston 9, Mass.

Vulcan Silver-Lead Corporation—Bulletin—J. May & Company, Inc., 32 Broadway, New York 4, N. Y.

Consolidated Natural Gas Debentures Offered

Morgan Stanley & Co. and The First Boston Corporation headed a group of 94 investment firms who on May 16 offer for public sale a new issue of $50,000,000 Consolidated Natural Gas Co. 3¼% debentures due 1976. The debentures were priced at 101½% plus accured interest to yield approximately 3.16% to maturity. The issue was awarded at competitive sale on Monday. Proceeds from the sale along with other cash resources will be used by the company to purchase securities of its operating subsidiaries. The subsidiaries will use the funds so obtained for construction of additional plant facilities and for other corporate purposes. Budgeted expenditure for the proposed construction program for 1951 is $64,500,000. The offering was oversubscribed and the books closed.

A sinking fund provides for retirement of 72% of the new debenture issue before maturity, at the rate of $1,000,000 a year in the period May 1, 1954-1968 and $3,000,000 a year in the period May 1, 1969-1975. Sinking fund redemption prices start in 1954 and range from 101.42% to par. Optional redemption prices range from 104½% if redeemed during the 12 months beginning May 1, 1951 down to the principal amount if redeemed on or after May 1, 1975.

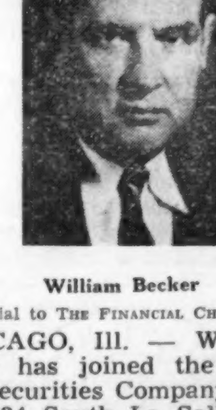
Consolidated Natural Gas owns and holds all of the capital stocks of five operating subsidiaries, which constitute an interconnected and integrated natural gas system engaged in all phases of the natural gas business. The subsidiaries are Hope Natural Gas Co., The East Ohio Gas Co., The Peoples Natural Gas Co., The River Gas Co., and New York State Natural Gas Corp., the last being a non-utility company.

The four public utility subsidiaries serve about 919,000 customers in 696 communities in the Appalachian area in Ohio, West Virginia and western Pennsylvania. New York State Natural Gas Corp. supplies natural gas at wholesale to two of the other subsidiaries and also to non-affiliated utilities in western New York and western Pennsylvania.

Total operating revenues of the system for 1950 were $134,749,000 and income before interest and miscellaneous deductions was $17,018,000.

The subsidiaries produce natural gas in West Virginia, Ohio, Pennsylvania and New York fields and at the end of 1950 had 1,945 contracts for the purchase of gas from independent producers in the Appalachian gas fields. Estimated proven reserves of the wells of the subsidiaries at Dec. 31, 1950 were 454,000,000 MCF.

William J. Becker is now With First Securities Co.



William Becker

(Special to The Financial Chronicle)

CHICAGO, Ill. — William J. Becker has joined the staff of First Securities Company of Chicago, 134 South La Salle Street, members of the Midwest Stock Exchange. Mr. Becker was formerly with L. F. Rothschild & Co. and prior thereto was with Glore, Forgan & Co.

Thomson McKinnon Adds

(Special to The Financial Chronicle)

ATLANTA, Ga.—Richard L. Boggs, Jr. is now affiliated with Thomson & McKinnon, Healy Building.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Lifts Inc., Washington, D. C.
April 23 (letter of notification) 30,000 "senior shares" (par $1). **Price** — $10 per share. **Underwriter** — None. **Proceeds** — For equipment and administrative costs to manufacture aircraft. **Office**—1835 K St., N. W., Washington 6, D. C.

Alhambra Gold Mines Corp., Hollywood, Calif.
Nov. 1 filed 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For further development of mine and for working capital.

American Dairy Products Corp.
Feb. 16 filed 300,000 shares of preferred stock (par $4) and 390,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred and 1.3 shares of common stock. **Price**—$5 per unit. **Underwriters**—Barrett Herrick & Co., Inc., of New York. **Proceeds**—To acquire plant, to pay indebtedness and for working capital.

• **American-Marietta Co., Chicago, Ill.**
May 8 (letter of notification) 7,652 shares of common stock (par $2) to be offered in exchange for 15,304 shares of common stock (par $1) of Metal Disintegrating Co., Inc., on a one-for-two basis. **Underwriter**—None. **Office**—43 East Ohio St., Chicago, Ill.

Arizona Edison Co. (5/29)
April 24 filed 40,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—William R. Staats Co., Los Angeles, Calif.; A. C. Allyn & Co., Inc., Chicago, Ill.; and Refsnes, Ely, Beck & Co., Phoenix, Ariz. **Proceeds**—To repay bank loans and for new construction.

Artloom Carpet Co., Inc.
March 27 filed 73,556 shares of common stock (no par), being offered to common stockholders of record April 25 on basis of one share for each four shares held, with oversubscription privileges; rights to expire on May 18. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital. Statement effective April 18.

Arwood Precision Casting Corp.
April 18 (letter of notification) 4,000 shares of 5½% cumulative non-convertible preferred stock being offered to stockholders and public up to July 1, 1951. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—70 Washington Street, Brooklyn 1, N. Y.

Athens Flooring Co., Athens, Ohio
April 24 (letter of notification) $175,000 of 4¾% first mtge. bonds, due April 15, 1962 (in denominations of $1,000 and $500 each). **Underwriter**—The Ohio Company, Columbus, O. **Proceeds**—For working capital.

Atlantic City Electric Co.
April 15 filed 117,200 shares of common stock (par $10) being offered to common stockholders of record May 8 at rate of one share for each 10 shares held; rights to expire May 28. Unsubscribed shares to be offered up to May 25, 1951, to employees and to stockholders on an oversubscription privilege. **Price**—$19 per share. **Underwriters**—Union Securities Corp. and Smith, Barney & Co., New York. **Proceeds**—For construction program. Statement effective May 8.

• **Bigelow-Sanford Carpet Co., Inc. (Del.)**
May 16 filed 100,000 shares of cumulative preferred stock, series of 1951 (par $100), of which approximately 40,000 shares are issuable to holders of the 6% preferred stock on the basis of 1½ shares for each preferred share held. The dividend rate will be not less than 4½% nor more than 5%. **Price**—To be supplied by amendment. **Underwriters**—Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., and F. S. Moseley & Co. **Proceeds**—For general corporate purposes. Stockholders will vote June 19 on approving issue.

• **Blue Blaze Products, Inc., Provo, Utah**
May 9 (letter of notification) 20,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To Mrs. Iva Sneddon, the selling stockholder. **Office**—First Security National Bank Building, Provo, Utah.

Brown Co., Berlin, N. H.
Jan. 25 filed 144,151 shares of $5 cumulative convertible preference stock (no par) and 144,151 shares of $3 cumulative second preference stock (no par), together with voting trust certificates representing the same, offered in exchange for 144,151 shares of $6 cumulative convertible preferred stock on basis of one share of each class of preference stock for each share of $6 preferred stock; offer extended from April 30 to May 23. Georgeson & Co. soliciting exchanges. Statement effective Feb. 21.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

Canam Copper Co., Ltd., Vancouver, B. C., Canada
April 20 filed 200,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Harry M. Forst. **Proceeds**—For exploration and development work.

Cane Creek Oil Co., Moab, Grand County, Utah
April 23 (letter of notification) 150,000 shares of common stock (par 10 cents), of which 100,000 shares are to be publicly offered for account of the company at $1 per share, and 50,000 shares are to be offered for account of H. L. Rath at approximately 75 cents per share through brokers. **Proceeds**—To operate and drill well.

Central Louisiana Electric Co., Inc.
Jan. 25 filed 250,297 shares of common stock (par $10) and 21,480 shares of 4.5% preferred stock (par $100), of which the preferred stock and 214,800 shares are being offered in exchange for shares of common stock of Gulf Public Service Co., Inc., on basis of 4/10ths of a share of common and 1/25th of a share of preferred for each Gulf common share held as of record March 13. This offer will expire on June 15 and will not be extended. Of the remaining 35,497 common shares, 20,348 shares are offered to Central Louisiana common stockholders of record May 1, 1951 at $26.50 per share on basis of one share for each 17 shares held, with rights to expire on June 4. **Underwriter** — None. **Purpose**—To acquire not less than 429,600 shares (80%) of Gulf common stock. Statement effective March 12.

• **Channel Exploration Co., Inc., Seattle, Wash.**
May 8 (letter of notification) 8,316 shares of class A common stock and 33,316 shares of class B common stock. **Price**—75 cents per share for class A and 50 cents per share for class B stock. **Underwriter**—None. **Proceeds**—For mining machinery. **Office**—603 Central Building, Seattle, Wash.

Chester Telephone Co., Chester, S. C.
March 15 (letter of notification) 360 shares of common stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds** — For plant improvements. **Office** — 109 Wylie Street, Chester, S. C.

Chevron Petroleums, Ltd., Toronto, Canada
March 14 filed 900,000 shares of common stock (par $1) to be offered "as a speculation." **Price** — 50 cents per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—To take up option and develop properties. **Offering**—Not expected before the middle of June.

• **Chlorophyll, Inc., Neodesha, Kan.**
May 8 (letter of notification) 20,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—1320 West Maine St., Neodesha, Kan.

Cleveland Trencher Co., Euclid, Ohio (5/21)
May 1 filed 117,660 shares of common stock (par $5), of which 99,100 shares are to be offered by certain stockholders and 18,560 by company (11,560 of latter to be underwritten and 7,000 shares are to be offered to employees and officers). **Price**—To be supplied by amendment. **Underwriter**—Hayden, Miller & Co., Cleveland, Ohio. **Proceeds**—For working capital.

Consolidated Cigar Corp., New York
March 9 filed 50,000 shares of cumulative preferred stock, series of 1951 (no par). **Price**—To be supplied by amendment. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds** — To prepay short-term bank loans and for working capital. Offering date postponed.

Consolidated Textile Co., Inc., New York
Dec. 27 filed 220,000 shares of capital stock (par 10 cents), offered in exchange for 200,000 shares of common stock of Bates Manufacturing Co. (Consolidated now owns 51,400 shares, or approximately 13% of the 391,500 outstanding Bates shares) on basis of 11 shares of Consolidated for 10 shares of Bates stock. Exchange offer to expire June 29. Statement effective March 2.

Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par $1). **Price**—$2 per share. **Underwriters**—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and general corporate purposes. Temporarily deferred.

Continental Electric Co., Geneva, Ill.
March 2 (letter of notification) $300,000 of 6% sinking fund debentures due Dec. 1, 1975 (to be issued in units of $100, $500 and $1,000 each). **Price**—91% of principal amount. **Underwriter**—Boettcher & Co., Chicago, Ill. **Proceeds**—To retire indebtedness and for working capital. **Offering**—Expected sometime in May.

Cosmopolitan Hotel Co. of Dallas, Tex.
Dec. 13 filed $1,500,000 of 2% debentures due 1965. **Price**—At face value. **Underwriter**—None. **Proceeds**—To purchase debentures of Statler Dallas Co., Inc., which company will construct Dallas hotel. **Business**—A non-profit corporation under sponsorship of Dallas Chamber of Commerce to secure construction of hotel.

• **Crown Finance Co., Inc., New York**
May 8 (letter of notification) $50,000 of 5% subordinated debentures due Jan. 1, 1981. **Price**—At par (in denominations of $1,000, $500 and $100 each). **Underwriter**—Hodson & Co., Inc., New York. **Proceeds**—To be placed in company's general funds.

Cuban-Venezuelan Oil Voting Trust
March 29 filed 1,500,000 units of voting trust certificates representing one share of one and two cent par common stock in 24 companies. **Price**—$2 per unit. **Underwriter**—None. **Proceeds**—For drilling and exploration expenses and working capital.

Cudahy Packing Co.
March 23 filed $10,000,000 sinking fund debentures due April 1, 1966. **Price** — To be supplied by amendment. **Underwriter**—Halsey, Stuart & Co. Inc. **Proceeds**—To reduce bank loans by $9,000,000, and the balance added to working capital. **Offering**—Indefinitely deferred.

Culver Corp., Chicago, Ill. (5/21)
Oct. 23 filed 132,182 shares of common stock (par $5), of which 4,818 shares were subscribed for by stockholders and 127,364 shares are to be offered to public. **Price**—To stockholders at $5 and to public at about $6.77 per share. **Underwriter**—Dealers may be underwriters. **Proceeds**—For investments in railroad and kindred securities. Statement effective April 11.

Cumberland (Md.) Motor Express Corp.
April 26 (letter of notification) $150,000 of five-year 5% notes and 50,000 shares of common stock (par $1) to be offered in units of $1,500 of notes and 500 shares of stock. **Price**—$2,000 per unit. **Underwriter**—F. S. Yantis & Co., Inc., Chicago, Ill. **Proceeds**—To retire three-year 5% promissory note. **Office**—Springdale and Third St., Cumberland, Md. **Offering**—May be made privately.

• **Denver Petroleum Syndicate, Denver, Colo.**
May 10 (letter of notification) 60 certificates of participations, of which 20 will be issued for services rendered. **Price**—$1,000 each. **Underwriter**—None. **Proceeds**—For operating capital. **Office**—718 Symes Bldg., Denver, Colo.

Dewey & Almy Chemical Co. (5/29)
May 8 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis. **Proceeds** — To retire $1,100,000 of 3¾% serial notes issued April 1, 1949, and for working capital.

Duggan's Distillers Products Corp.
Oct. 27 (letter of notification) 340,000 shares of common stock (par 10c). Price—75 cents per share. Underwriter—Olds & Co., Jersey City, N. J. **Proceeds**—To pay balance of purchase price for building ($20,000) and for working capital.

Ekco Products Co., Chicago, Ill. (5/21-23)
May 2 filed 24,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—For working capital.

• **Ekco Products Co., Chicago, Ill.**
May 9 filed 35,000 shares of common stock (par $2.50) to be issued only upon exercise up to and including Oct. 22, 1955, of options to purchase such shares granted on Oct. 23, 1950, to certain employees (including certain officers and directors) of the company. **Price**—$13.78 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Elgin Sweeper Co., Elgin, Ill.
April 18 (letter of notification) 38,864 shares of common stock (no par, being offered to common stockholders of record April 28 on basis of one share for each two shares held, with an oversubscription privilege; rights to expire about June 11. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office** 5 Oak Street, Elgin, Ill.

• **Farmers Mutual Telephone Co., Madison, Minn.**
May 9 (letter of notification) 2,600 shares of common stock and 1,200 shares of preferred stock. **Price**—$35 per share for common and $50 for preferred. **Underwriter**—None. **Proceeds** — To rebuild rural telephone system. **Office**—Cerro Gordo, Madison, Minn.

• **Formula Fund of Boston (Mass.)**
May 9 filed 100,000 shares of beneficial interest. **Price**—At market. **Underwriter** — Investment Research Corp., Boston, Mass. **Proceeds**—For investment.

Fosgate Citrus Concentrate Cooperative, Forest City, Fla.
March 2 filed 476 shares of class A membership stock (par $100); 801 shares of class B preferred stock (par $100); 8,000 shares of class C stock (par $100); 2,000 shares of class C stock (par $50); and 4,000 shares of class C stock (par $25). **Price**—At par. **Underwriter**—None. **Proceeds**—To construct and equip plant. **Business**—To process citrus fruit juices to a frozen concentrate form.

Frontier Refining Co., Cheyenne, Wyo. (5/21)
April 30 filed $1,000,000 5½% convertible debentures due May 1, 1961. **Price** — At par (in denominations of $1,000 each). **Underwriters**—Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co., Inc.; all of Denver, Colo. **Proceeds** — To drill eight wells in San Juan County, N. M., and for working capital.

General Glaze Corp., Baltimore, Md.
May 1 (letter of notification) 22,500 shares of 5% non-cumulative prior preferred stock (par $5) and 95,000 shares of common stock (par 20 cents). **Price**—Pre-

ferred at $5.60 per share and common at par. **Underwriter**—None. **Proceeds**—For equipment and working capital. **Address**—Box 7705, Baltimore 21, Md.

General Telephone Corp.
April 19 filed 150,000 shares of common stock (par $20) being offered for sale to employees of the company and its subsidiaries. **Price**—Fixed at $3 below the average market price either for the month in which payments are completed or for the next succeeding month, whichever is lower, but in no event more than $35 nor less than $25 per share. The initial offering will close on July 3, 1951. **Proceeds**—To make additional investments in common stock equities of subsidiaries and temporary advances to the subsidiaries in connection with their construction programs and for general corporate purposes. Statement effective May 1.

Georgia Power Co. (6/5)
May 4 filed $20,000,000 of new first mortgage bonds due June 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Bros.; Harriman Ripley & Co. Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly). **Proceeds**—For construction program. **Bids**—To be opened at 11 a.m. (EDT) on June 5.

Glenmore Distilleries Co.
Dec. 28 filed 159,142 shares of class B common stock (par $1). **Price** — To be filed by amendment. **Underwriter**—Glore, Forgan & Co., New York. **Proceeds**—For working capital and general corporate purposes. **Offering**—Expected to be withdrawn and new filing expected to be made covering 30,000 shares of preferred stock (par $100), with warrants attached.

● **Goebel (Adolf), Inc.**
May 14 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At the market (about $5.25 per share). **Underwriter** — The First Guardian Securities Corp., New York. **Proceeds**—To Anthony De Angelis, President, the selling stockholder.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

● **Green River Steel Corp., Louisville, Ky.**
May 10 (letter of notification) 342,500 shares of common stock to be sold to three individuals and six underwriting firms (latter includes A. C. Allyn & Co., Inc., Chicago, Ill., and Reynolds & Co., New York). **Price**—At par (25 cents per share). **Underwriter**—None. **Proceeds**—To construct steel plant. **Office**—Kentucky Home Life Building, Louisville, Ky.

● **Greer Hydraulics, Inc., Brooklyn, N. Y.**
May 11 (letter of notification) 21,150 shares of common stock (par 50 cents). **Price**—$4 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—454 18th Street, Brooklyn 15, N. Y.

Gyrodyne Co. of America, Inc. (5/21)
March 14 (letter of notification) 34,320 shares of class A common stock (par $1). **Price**—$5 per share. **Underwriters**—Company itself in New York, and Jackson & Co., Boston, Mass. **Proceeds** — For partial financing of anticipated military contracts and for acquisition of new manufacturing facilities. **Office**—80 Wall Street, New York 5, N. Y.

Hamilton Fire Insurance Co., Philadelphia
Oct. 2 (letter of notification) 64,000 shares of capital stock (par $5). **Price**—$4.50 per share. **Underwriter**—Jenks, Kirkland & Grubbs, Philadelphia, Pa. **Proceeds**—To increase capital and surplus in order to offer additional lines of insurance, including automobile casualty and liability coverage. Financing indefinitely delayed.

Hiller Helicopters, Inc.
April 25 filed $2,500,000 of 5% convertible income debentures due May 1, 1961. **Price**—At par ($1,000 per unit). **Underwriters**—Blyth & Co., Inc. and Lehman Brothers, New York. **Proceeds**—For plant expansion, to purchase additional equipment, to reduce outstanding loans and for working capital. **Offering**—Made today.

Hilton Hotels Corp., Chicago, Ill.
March 30 filed 153,252 shares of common stock (par $5) now offered to holders of common stock of Hotel Waldorf-Astoria Corp. in exchange for their holdings of such stock on a share-for-share basis; offer expires on May 28. **Dealer-Manager**—Carl M. Loeb, Rhoades & Co., New York.

Idaho Maryland Mines Corp.
March 27 (letter of notification) 6,500 shares of common stock (par $1). **Price**—At market (estimated at $2 per share). **Underwriter**—E. F. Hutton & Co., San Francisco, Calif. **Proceeds**—To Siegfried Bechhold, the selling stockholder. Letter withdrawn.

● **Idaho Power Co.**
May 14 filed 35,000 shares of 4% preferred stock (par $100). **Price** — To be supplied by amendment. **Underwriter**—Wegener & Daly Corp., Boise, Ida. **Proceeds**—For new construction.

Imperial Brands, Inc., Los Angeles, Calif.
May 2 (letter of notification) 40,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To purchase baking machinery and equipment. **Office**—3213 East Fowler St., Los Angeles, Calif.

International Life Insurance Co., Austin, Tex.
March 30 filed $1,200,000 special stock debentures to be sold in units of $500 each by regular licensed insurance agents of the company. **Price**—At par. **Proceeds**—To increase capital and surplus.

NEW ISSUE CALENDAR

May 17, 1951

Illinois Central RR. noon (CDT)	Equip. Tr. Ctfs.
Thorer & Hollender, Inc. 11 a.m. (EDT)	Common

May 21, 1951

Cleveland Trencher Co.	Common
Culver Corp.	Common
Ekco Products Co.	Common
Frontier Refining Co.	Debentures
Gyrodyne Co. of America, Inc.	Common
Southwestern Investment Co.	Preferred & Com.

May 23, 1951

Kentucky Utilities Co.	Common
Toronto (City of), Canada	Debentures

May 24, 1951

National Dairy Products Corp.	Debentures

May 25, 1951

Virginia Electric & Power Co.	Common

May 29, 1951

Arizona Edison Co.	Common
Dewey & Almy Chemical Co.	Common

May 31, 1951

New England Gas & Electric Association	Common

June 5, 1951

Georgia Power Co. 11 a.m. (EDT)	Bonds
Manning, Maxwell & Moore, Inc.	Common
Yale & Towne Manufacturing Co.	Common

June 6, 1951

Buffalo Electro-Chemical Co., Inc. 1:30 p.m. (EDT)	Common

June 11, 1951

North Penn Gas Co.	Debentures

June 12, 1951

Glenmore Distilleries Co.	Preferred

June 15, 1951

Squibb (E. R.) & Sons	Common

June 24, 1951

Public Finance Services, Inc.	Debentures

July 17, 1951

Mississippi Power Co.	Preferred

September 11, 1951

Alabama Power Co.	Bonds

Israel Steel Corp.
Jan. 2 (letter of notification) 15,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For corporate purposes and the purchase of merchandise (steel) for resale. **Office**—Care of Efrein & Metrick, 320 Broadway, New York, N. Y.

Jerry Fairbanks, Inc., Hollywood, Calif.
Feb. 16 (letter of notification) 193,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—D. Gleich Co., New York. **Proceeds**—For production of motion pictures for theatrical and television purposes and for working capital.

Jersey Central Power & Light Co.
Feb. 21 filed $1,500,000 first mortgage bonds due in 1981. **Proceeds**—For expansion program. **Bids**—Only one bid was received by company on March 27, from Halsey, Stuart & Co. Inc., which was returned unopened. **Offering**—Postponed indefinitely. Statement effective March 14.

Jersey Central Power & Light Co.
Feb. 21 filed 40,000 shares of cumulative preferred stock (par $100). **Proceeds**—From sale of preferred, together with proceeds to be received from the sale of 350,000 additional common shares to General Public Utilities Corp., the parent, will be used for new construction. **Bids**—Only one bid, from Union Securities Corp. and Salomon Bros. & Hutzler (jointly), was received March 27, which was returned unopened. Statement effective March 14. **Amendment**—On May 8 SEC granted an exemption from competitive bidding. Preferred may be privately placed.

● **Kentucky Utilities Co. (5/23)**
May 14 filed 260,071 shares of common stock (par $10) to be offered to common stockholders of record May 23, 1951 at rate of one share for each seven shares held. **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc., New York, and J. J. B. Hilliard & Son, Louisville, Ky. **Proceeds** — For property additions and new construction.

● **Kresge (S. S.) Co., Detroit, Mich.**
May 10 (letter of notification) approximately 7,690 shares of common stock (par $10). **Price**—$39 per share. **Underwriter**—Watling, Lerchen & Co., Detroit, Mich. **Proceeds**—To Estate of Anna E. Kresge, the selling stockholder.

● **Le Roi Co., Milwaukee, Wis.**
May 10 (letter of notification) 62,300 shares of common stock (par $2.50). **Price**—$4.75 per share. **Underwriter**—Gardner F. Dalton & Co. and Riley & Co., both of Milwaukee, Wis. **Proceeds**—For working capital.

Lincoln Telephone & Telegraph Co.
April 24 (letter of notification) 10,002 shares of common stock (par $16.66⅔ per share) being offered to common stockholders of record March 31 on a 1-for-15 basis; rights will expire on May 23. **Price**—$24 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1342 M Street, Lincoln, Neb.

● **Linnton Plywood Association, Portland, Ore.**
May 10 filed 400 shares of common stock and 200 shares of preferred stock. **Price**—$5,000 per share for common and $2,500 per share for preferred stock. **Underwriter**—None, but John J. Oxley and J. A. Williams will solicit subscriptions. **Proceeds**—To improve plant site and acquire facilities and machinery.

Long Island Lighting Co.
April 6 filed 574,949 shares of new common stock of which 524,949 shares are being offered common stockholders of record May 2 in the ratio of one share for each six shares held, with an oversubscription privilege; rights to expire on May 18. Unsubscribed shares first to be offered to employees up to a maximum of 200 shares each. **Price** — $13 per share. **Underwriter** — None. Blyth & Co., Inc., has been engaged as Dealer-Manager to obtain subscriptions. **Proceeds** — For additions and improvement to property. Statement effective May 2.

Lorain Telephone Co., Lorain, Ohio
March 13 (letter of notification) 6,705 shares of common stock (no par), to be offered to common stockholders at the rate of one share for each 10 shares held March 10; rights to expire on July 1. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—203 West Ninth St., Lorain, Ohio.

Loyalta Oils, Ltd., Edmonton, Canada
April 16 filed 750,000 shares of capital stock (par $1). **Price**—50 cents per share. **Underwriter**—James T. Chiles of Denver, Colo., who will conduct offering to public by means of a mail campaign directed from Edmonton, Canada. **Proceeds**—To carry on drilling program.

Ludman Corp., Opa-Locka, Fla.
April 16 filed 250,000 shares of common stock (par $1), of which 25,000 shares will be offered to employees. Any unsubscribed shares, plus the remaining 225,000 shares, are to be offered to public. **Price**—$3.50 per share (with an underwriting commission of 35 cents) to employees; $3.75 per share (with an underwriting commission of 60 cents) to public. **Underwriter**—Floyd D. Cerf, Jr. Co., Chicago, Ill. **Proceeds**—To redeem 1,873 shares of 5% preferred stock and $75,000 of 3% debentures and for general corporate purposes.

● **Malone-Darhasana Mining Co., Silver City, N. M.**
May 10 (letter of notification) $50,000 first mortgage 4% convertible gold bonds (in denominations of $500 each). **Price**—At par. **Underwriter**—None. **Proceeds**—To pay indebtedness and purchase mill.

● **Manning, Maxwell & Moore, Inc. (6/5)**
May 16 filed 150,000 shares of common stock (par $12.50), to be offered to stockholders of record who have not waived their preemptive rights at rate of 15/44ths of a share held, as of record about June 5, 1951. **Price**—To be supplied by amendment. **Underwriters**—Hornblower & Weeks and Clark, Dodge & Co., New York. **Proceeds**—To redeem $281,000 of preferred stock and for working capital.

Mays (J. W.), Inc., Brooklyn, N. Y.
April 27 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Carl M. Loeb, Rhoades & Co. and Lehman Brothers, New York. **Proceeds**—To Joe Weinstein, President of the company, the selling stockholder.

McCormick & Co., Inc., Baltimore, Md.
May 3 (letter of notification) 7,795 shares of common stock (no par). **Price**—$25 per share. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Proceeds** — For working capital. **Office**—414 Light St., Baltimore 2, Md.

● **Mutual Citrus Products Co., Anaheim, Calif.**
May 8 (letter of notification) 5,000 shares of common stock to be offered to present stockholders. **Price** — At par ($10 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—424 So. Atchison St., Anaheim, Calif.

National Dairy Products Corp. (5/24)
May 3 filed $30,000,000 of sinking fund debentures, due June 1, 1976. **Price**—To be supplied by amendment. **Underwriter**—Goldman, Sachs & Co. and Lehman Brothers, New York. **Proceeds**—For plant and equipment improvements and for general corporate purposes.

National Research Corp., Cambridge, Mass.
April 16 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$27 per share. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—To William A. Coolidge, the selling stockholder.

● **New England Gas & Electric Ass'n (5/31)**
May 16 filed 197,243 common shares of (par $8) beneficial interest to be offered to common stockholders of record May 31 on basis of one share for each eight shares

Continued on page 40

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Lifts Inc., Washington, D. C.
April 23 (letter of notification) 30,000 "senior shares" (par $1). **Price** — $10 per share. **Underwriter** — None. **Proceeds** — For equipment and administrative costs to manufacture aircraft. **Office**—1835 K St., N. W., Washington 6, D. C.

Alhambra Gold Mines Corp., Hollywood, Calif.
Nov. 1 filed 80,000 shares of common stock. **Price—At** par ($1 per share). **Underwriter**—None. **Proceeds—For** further development of mine and for working capital.

American Dairy Products Corp.
Feb. 16 filed 300,000 shares of preferred stock (par $4) and 390,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred and 1.3 shares of common stock. **Price**—$5 per unit. **Underwriters**—Barrett Herrick & Co., Inc., of New York. **Proceeds**—To acquire plant, to pay indebtedness and for working capital.

• American-Marietta Co., Chicago, Ill.
May 8 (letter of notification) 7,652 shares of common stock (par $2) to be offered in exchange for 15,304 shares of common stock (par $1) of Metal Disintegrating Co., Inc., on a one-for-two basis. **Underwriter**—None. **Office**—43 East Ohio St., Chicago, Ill.

Arizona Edison Co. (5/29)
April 24 filed 40,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Underwriters**—William R. Staats Co., Los Angeles, Calif.; A. C. Allyn & Co., Inc., Chicago, Ill.; and Refsnes, Ely, Beck & Co., Phoenix, Ariz. **Proceeds**—To repay bank loans and for new construction.

Artloom Carpet Co., Inc.
March 27 filed 78,556 shares of common stock (no par), being offered to common stockholders of record April 25 on basis of one share for each four shares held, with oversubscription privileges; rights to expire on May 18. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital. Statement effective April 18.

Arwood Precision Casting Corp.
April 18 (letter of notification) 4,000 shares of 5½% cumulative non-convertible preferred stock being offered to stockholders and public up to July 1, 1951. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—70 Washington Street, Brooklyn 1, N. Y.

Athens Flooring Co., Athens, Ohio
April 24 (letter of notification) $175,000 of 4¾% first mtge. bonds, due April 15, 1962 (in denominations of $1,000 and $500 each). **Underwriter**—The Ohio Company, Columbus, O. **Proceeds**—For working capital.

Atlantic City Electric Co.
April 15 filed 117,200 shares of common stock (par $10) being offered to common stockholders of record May 8 at rate of one share for each 10 shares held; rights to expire May 28. Unsubscribed shares to be offered up to May 25, 1951, to employees and to stockholders on an oversubscription privilege. **Price**—$19 per share. **Underwriters**—Union Securities Corp. and Smith, Barney & Co., New York. **Proceeds**—For construction program. Statement effective May 8.

• Bigelow-Sanford Carpet Co., Inc. (Del.)
May 16 filed 100,000 shares of cumulative preferred stock, series of 1951 (par $100), of which approximately 40,000 shares are issuable to holders of the 6% preferred stock on the basis of 1½ shares for each preferred share held. The dividend rate will be not less than 4½% nor more than 5%. **Price**—To be supplied by amendment. **Underwriters**—Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., and F. S. Moseley & Co. **Proceeds**—For general corporate purposes. Stockholders will vote June 19 on approving issue.

• Blue Blaze Products, Inc., Provo, Utah
May 9 (letter of notification) 20,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To Mrs. Iva Sneddon, the selling stockholder. **Office**—First Security National Bank Building, Provo, Utah.

Brown Co., Berlin, N. H.
Jan. 25 filed 144,151 shares of $5 cumulative convertible preference stock (no par) and 144,151 shares of $3 cumulative second preference stock (no par), together with voting trust certificates representing the same, offered in exchange for 144,151 shares of $6 cumulative convertible preferred stock on basis of one share of each class of preference stock for each share of $6 preferred stock; offer extended from April 30 to May 23. Georgeson & Co. soliciting exchanges. Statement effective Feb. 21.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

Canam Copper Co., Ltd., Vancouver, B. C., Canada
April 20 filed 200,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Harry M. Forst. **Proceeds**—For exploration and development work.

Cane Creek Oil Co., Moab, Grand County, Utah
April 23 (letter of notification) 150,000 shares of common stock (par 10 cents), of which 100,000 shares are to be publicly offered for account of the company at $1 per share, and 50,000 shares are to be offered for account of H. L. Rath at approximately 75 cents per share through brokers. **Proceeds**—To operate and drill well.

Central Louisiana Electric Co., Inc.
Jan. 25 filed 250,297 shares of common stock (par $10) and 21,480 shares of 4.5% preferred stock (par $100), of which the preferred stock and 214,800 shares are being offered in exchange for shares of common stock of Gulf Public Service Co., Inc., on basis of 4/10ths of a share of common and 1/25th of a share of preferred for each Gulf common share held as of record March 13. This offer will expire on June 15 and will not be extended. Of the remaining 35,497 common shares, 20,348 shares are offered to Central Louisiana common stockholders of record May 1, 1951 at $26.50 per share on basis of one share for each 17 shares held, with rights to expire on June 4. **Underwriter** — None. **Purpose**—To acquire not less than 429,600 shares (80%) of Gulf common stock. Statement effective March 12.

• Channel Exploration Co., Inc., Seattle, Wash.
May 8 (letter of notification) 8,316 shares of class A common stock and 33,316 shares of class B common stock. **Price**—75 cents per share for class A and 50 cents per share for class B stock. **Underwriter**—None. **Proceeds**—For mining machinery. **Office**—603 Central Building, Seattle, Wash.

Chester Telephone Co., Chester, S. C.
March 15 (letter of notification) 360 shares of common stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds** — For plant improvements. **Office** — 109 Wylie Street, Chester, S. C.

Chevron Petroleums, Ltd., Toronto, Canada
March 14 filed 900,000 shares of common stock (par $1) to be offered "as a speculation." **Price** — 50 cents per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—To take up option and develop properties. **Offering**—Not expected before the middle of June.

• Chlorophyll, Inc., Neodesha, Kan.
May 8 (letter of notification) 20,000 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—1320 West Maine St., Neodesha, Kan.

Cleveland Trencher Co., Euclid, Ohio (5/21)
May 1 filed 117,660 shares of common stock (par $5), of which 99,100 shares are to be offered by certain stockholders and 18,560 by company (11,560 of latter to be underwritten and 7,000 shares are to be offered to employees and officers). **Price**—To be supplied by amendment. **Underwriter**—Hayden, Miller & Co., Cleveland, Ohio. **Proceeds**—For working capital.

Consolidated Cigar Corp., New York
March 9 filed 50,000 shares of cumulative preferred stock, series of 1951 (no par). **Price**—To be supplied by amendment. **Underwriter**—Eastman, Dillon & Co., New York. **Proceeds** — To prepay short-term bank loans and for working capital. Offering date postponed.

Consolidated Textile Co., Inc., New York
Dec. 27 filed 220,000 shares of capital stock (par 10 cents), offered in exchange for 200,000 shares of common stock of Bates Manufacturing Co. (Consolidated now owns 51,400 shares, or approximately 13% of the 391,500 outstanding Bates shares) on basis of 11 shares of Consolidated for 10 shares of Bates stock. Exchange offer to expire June 29. Statement effective March 2.

Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par $1). **Price**—$2 per share. **Underwriters**—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and general corporate purposes. Temporarily deferred.

Continental Electric Co., Geneva, Ill.
March 2 (letter of notification) $300,000 of 6% sinking fund debentures due Dec. 1, 1975 (to be issued in units of $100, $500 and $1,000 each). **Price**—91% of principal amount. **Underwriter**—Boettcher & Co., Chicago, Ill. **Proceeds**—To retire indebtedness and for working capital. **Offering**—Expected sometime in May.

Cosmopolitan Hotel Co. of Dallas, Tex.
Dec. 13 filed $1,500,000 of 2% debentures due 1965. **Price**—At face value. **Underwriter**—None. **Proceeds**—To purchase debentures of Statler Dallas Co., Inc., which company will construct Dallas hotel. **Business**—A non-profit corporation under sponsorship of Dallas Chamber of Commerce to secure construction of hotel.

• Crown Finance Co., Inc., New York
May 8 (letter of notification) $50,000 of 5% subordinated debentures due Jan. 1, 1981. **Price**—At par (in denominations of $1,000, $500 and $100 each). **Underwriter**—Hodson & Co., Inc., New York. **Proceeds**—To be placed in company's general funds.

Cuban-Venezuelan Oil Voting Trust
March 29 filed 1,500,000 units of voting trust certificates representing one share of one and two cent par common stock in 24 companies. **Price**—$2 per unit. **Underwriter**—None. **Proceeds**—For drilling and exploration expenses and working capital.

Cudahy Packing Co.
March 23 filed $10,000,000 sinking fund debentures due April 1, 1966. **Price** — To be supplied by amendment. **Underwriter**—Halsey, Stuart & Co. Inc. **Proceeds**—To reduce bank loans by $9,000,000, and the balance added to working capital. **Offering**—Indefinitely deferred.

Culver Corp., Chicago, Ill. (5/21)
Oct. 23 filed 132,182 shares of common stock (par $5), of which 4,818 shares were subscribed for by stockholders and 127,364 shares are to be offered to public. **Price**—To stockholders at $5 and to public at about $6.77 per share. **Underwriter**—Dealers may be underwriters. **Proceeds**—For investments in railroad and kindred securities. Statement effective April 11.

Cumberland (Md.) Motor Express Corp.
April 26 (letter of notification) $150,000 of five-year 5% notes and 50,000 shares of common stock (par $1) to be offered in units of $1,500 of notes and 500 shares of stock. **Price**—$2,000 per unit. **Underwriter**—F. S. Yantis & Co., Inc., Chicago, Ill. **Proceeds**—To retire three-year 5% promissory note. **Office**—Springdale and Third St., Cumberland, Md. **Offering**—May be made privately.

• Denver Petroleum Syndicate, Denver, Colo.
May 10 (letter of notification) 60 certificates of participations, of which 20 will be issued for services rendered. **Price**—$1,000 each. **Underwriter**—None. **Proceeds**—For operating capital. **Office**—718 Symes Bldg., Denver, Colo.

Dewey & Almy Chemical Co. (5/29)
May 8 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis. **Proceeds** — To retire $1,100,000 of 3¾% serial notes issued April 1, 1949, and for working capital.

Duggan's Distillers Products Corp.
Oct. 27 (letter of notification) 340,000 shares of common stock (par 10c). Price—75 cents per share. Underwriter—Olds & Co., Jersey City, N. J. **Proceeds**—To pay balance of purchase price for building ($20,000) and for working capital.

Ekco Products Co., Chicago, Ill. (5/21-23)
May 2 filed 24,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—For working capital.

• Ekco Products Co., Chicago, Ill.
May 9 filed 35,000 shares of common stock (par $2.50) to be issued only upon exercise up to and including Oct. 22, 1955, of options to purchase such shares granted on Oct. 23, 1950, to certain employees (including certain officers and directors) of the company. **Price**—$13.78 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Elgin Sweeper Co., Elgin, Ill.
April 18 (letter of notification) 38,864 shares of common stock (no par, being offered to common stockholders of record April 28 on basis of one share for each two shares held, with an oversubscription privilege; rights to expire about June 11. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office** 5 Oak Street, Elgin, Ill.

• Farmers Mutual Telephone Co., Madison, Minn.
May 9 (letter of notification) 2,600 shares of common stock and 1,200 shares of preferred stock. **Price**—$35 per share for common and $50 for preferred. **Underwriter**—None. **Proceeds** — To rebuild rural telephone system. **Office**—Cerro Gordo, Madison, Minn.

• Formula Fund of Boston (Mass.)
May 9 filed 100,000 shares of beneficial interest. **Price**—At market. **Underwriter** — Investment Research Corp., Boston, Mass. **Proceeds**—For investment.

Fosgate Citrus Concentrate Cooperative, Forest City, Fla.
March 2 filed 476 shares of class A membership stock (par $100); 801 shares of class B preferred stock (par $100); 8,000 shares of class C stock (par $100); 2,000 shares of class C stock (par $50); and 4,000 shares of class C stock (par $25). **Price**—At par. **Underwriter**—None. **Proceeds**—To construct and equip plant. **Business**—To process citrus fruit juices to a frozen concentrate form.

Frontier Refining Co., Cheyenne, Wyo. (5/21)
April 30 filed $1,000,000 5½% convertible debentures due May 1, 1961. **Price** — At par (in denominations of $1,000 each). **Underwriters**—Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co., Inc.; all of Denver, Colo. **Proceeds** — To drill eight wells in San Juan County, N. M., and for working capital.

General Glaze Corp., Baltimore, Md.
May 1 (letter of notification) 22,500 shares of 5% noncumulative prior preferred stock (par $5) and 95,000 shares of common stock (par 20 cents). **Price**—Pre-

ferred at $5.60 per share and common at par. **Underwriter**—None. **Proceeds**—For equipment and working capital. **Address**—Box 7705, Baltimore 21, Md.

General Telephone Corp.
April 19 filed 150,000 shares of common stock (par $20) being offered for sale to employees of the company and its subsidiaries. **Price**—Fixed at $3 below the average market price either for the month in which payments are completed or for the next succeeding month, whichever is lower, but in no event more than $35 nor less than $25 per share. The initial offering will close on July 3, 1951. **Proceeds**—To make additional investments in common stock equities of subsidiaries and temporary advances to the subsidiaries in connection with their construction programs and for general corporate purposes. Statement effective May 1.

Georgia Power Co. (6/5)
May 4 filed $20,000,000 of new first mortgage bonds due June 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Bros.; Harriman Ripley & Co. Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly). **Proceeds**—For construction program. **Bids**—To be opened at 11 a.m. (EDT) on June 5.

Glenmore Distilleries Co.
Dec. 28 filed 159,142 shares of class B common stock (par $1). Price — To be filed by amendment. Underwriter—Glore, Forgan & Co., New York. Proceeds—For working capital and general corporate purposes. Offering—Expected to be withdrawn and new filing expected to be made covering 30,000 shares of preferred stock (par $100), with warrants attached.

● **Goebel (Adolf), Inc.**
May 14 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At the market (about $5.25 per share). **Underwriter** — The First Guardian Securities Corp., New York. **Proceeds**—To Anthony De Angelis, President, the selling stockholder.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

● **Green River Steel Corp., Louisville, Ky.**
May 10 (letter of notification) 342,500 shares of common stock to be sold to three individuals and six underwriting firms (latter includes A. C. Allyn & Co., Inc., Chicago, Ill., and Reynolds & Co., New York). **Price**—At par (25 cents per share). **Underwriter**—None. **Proceeds**—To construct steel plant. **Office**—Kentucky Home Life Building, Louisville, Ky.

● **Greer Hydraulics, Inc., Brooklyn, N. Y.**
May 11 (letter of notification) 21,150 shares of common stock (par 50 cents). **Price**—$4 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—454 18th Street, Brooklyn 15, N. Y.

Gyrodyne Co. of America, Inc. (5/21)
March 14 (letter of notification) 34,320 shares of class A common stock (par $1). **Price**—$5 per share. **Underwriters**—Company itself in New York, and Jackson & Co., Boston, Mass. **Proceeds** — For partial financing of anticipated military contracts and for acquisition of new manufacturing facilities. **Office**—80 Wall Street, New York 5, N. Y.

Hamilton Fire Insurance Co., Philadelphia
Oct. 2 (letter of notification) 64,000 shares of capital stock (par $5). **Price**—$4.50 per share. **Underwriter**—Jenks, Kirkland & Grubbs, Philadelphia, Pa. **Proceeds**—To increase capital and surplus in order to offer additional lines of insurance, including automobile casualty and liability coverage. Financing indefinitely delayed.

Hiller Helicopters, Inc.
April 25 filed $2,500,000 of 5% convertible income debentures due May 1, 1961. **Price**—At par ($1,000 per unit). **Underwriters**—Blyth & Co., Inc. and Lehman Brothers, New York. **Proceeds**—For plant expansion, to purchase additional equipment, to reduce outstanding loans and for working capital. **Offering**—Made today.

Hilton Hotels Corp., Chicago, Ill.
March 30 filed 153,252 shares of common stock (par $5) now offered to holders of common stock of Hotel Waldorf-Astoria Corp. in exchange for their holdings of such stock on a share-for-share basis; offer expires on May 28. **Dealer-Manager**—Carl M. Loeb, Rhoades & Co., New York.

Idaho Maryland Mines Corp.
March 27 (letter of notification) 6,500 shares of common stock (par $1). **Price**—At market (estimated at $2 per share). **Underwriter**—E. F. Hutton & Co., San Francisco, Calif. **Proceeds**—To Siegfried Bechhold, the selling stockholder. Letter withdrawn.

● **Idaho Power Co.**
May 14 filed 35,000 shares of 4% preferred stock (par $100). **Price** — To be supplied by amendment. **Underwriter**—Wegener & Daly Corp., Boise, Ida. **Proceeds**—For new construction.

Imperial Brands, Inc., Los Angeles, Calif.
May 2 (letter of notification) 40,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To purchase baking machinery and equipment. **Office**—3213 East Fowler St., Los Angeles, Calif.

International Life Insurance Co., Austin, Tex.
March 30 filed $1,200,000 special stock debentures to be sold in units of $500 each by regular licensed insurance agents of the company. **Price**—At par. **Proceeds**—To increase capital and surplus.

NEW ISSUE CALENDAR

May 17, 1951	
Illinois Central RR. noon (CDT)	**Equip. Tr. Ctfs.**
Thorer & Hollender, Inc. 11 a.m. (EDT)	**Common**
May 21, 1951	
Cleveland Trencher Co.	**Common**
Culver Corp.	**Common**
Ekco Products Co.	**Common**
Frontier Refining Co.	**Debentures**
Gyrodyne Co. of America, Inc.	**Common**
Southwestern Investment Co.	**Preferred & Com.**
May 23, 1951	
Kentucky Utilities Co.	**Common**
Toronto (City of), Canada	**Debentures**
May 24, 1951	
National Dairy Products Corp.	**Debentures**
May 25, 1951	
Virginia Electric & Power Co.	**Common**
May 29, 1951	
Arizona Edison Co.	**Common**
Dewey & Almy Chemical Co.	**Common**
May 31, 1951	
New England Gas & Electric Association	**Common**
June 5, 1951	
Georgia Power Co. 11 a.m. (EDT)	**Bonds**
Manning, Maxwell & Moore, Inc.	**Common**
Yale & Towne Manufacturing Co.	**Common**
June 6, 1951	
Buffalo Electro-Chemical Co., Inc. 1:30 p.m. (EDT)	**Common**
June 11, 1951	
North Penn Gas Co.	**Debentures**
June 12, 1951	
Glenmore Distilleries Co.	**Preferred**
June 15, 1951	
Squibb (E. R.) & Sons	**Common**
June 24, 1951	
Public Finance Services, Inc.	**Debentures**
July 17, 1951	
Mississippi Power Co.	**Preferred**
September 11, 1951	
Alabama Power Co.	**Bonds**

Israel Steel Corp.
Jan. 2 (letter of notification) 15,000 shares of common stock. Price—At par ($10 per share). Underwriter—None. Proceeds—For corporate purposes and the purchase of merchandise (steel) for resale. Office—Care of Efrein & Metrick, 320 Broadway, New York, N. Y.

Jerry Fairbanks, Inc., Hollywood, Calif.
Feb. 16 (letter of notification) 193,000 shares of common stock (par $1). Price—$1.50 per share. Underwriter—D. Gleich Co., New York. Proceeds—For production of motion pictures for theatrical and television purposes and for working capital.

Jersey Central Power & Light Co.
Feb. 21 filed $1,500,000 first mortgage bonds due in 1981. Proceeds—For expansion program. Bids—Only one bid was received by company on March 27, from Halsey, Stuart & Co. Inc., which was returned unopened. Offering—Postponed indefinitely. Statement effective March 14.

Jersey Central Power & Light Co.
Feb. 21 filed 40,000 shares of cumulative preferred stock (par $100). Proceeds—From sale of preferred, together with proceeds to be received from the sale of 350,000 additional common shares to General Public Utilities Corp., the parent, will be used for new construction. Bids—Only one bid, from Union Securities Corp. and Salomon Bros. & Hutzler (jointly), was received March 27, which was returned unopened. Statement effective March 14. Amendment—On May 8 SEC granted an exemption from competitive bidding. Preferred may be privately placed.

● **Kentucky Utilities Co. (5/23)**
May 14 filed 260,071 shares of common stock (par $10) to be offered to common stockholders of record May 23, 1951 at rate of one share for each seven shares held. **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc., New York, and J. J. B. Hilliard & Son, Louisville, Ky. **Proceeds** — For property additions and new construction.

● **Kresge (S. S.) Co., Detroit, Mich.**
May 10 (letter of notification) approximately 7,690 shares of common stock (par $10). **Price**—$39 per share. **Underwriter**—Watling, Lerchen & Co., Detroit, Mich. **Proceeds**—To Estate of Anna E. Kresge, the selling stockholder.

● **Le Roi Co., Milwaukee, Wis.**
May 10 (letter of notification) 62,300 shares of common stock (par $2.50). **Price**—$4.75 per share. **Underwriter**—Gardner F. Dalton & Co. and Riley & Co., both of Milwaukee, Wis. **Proceeds**—For working capital.

Lincoln Telephone & Telegraph Co.
April 24 (letter of notification) 10,002 shares of common stock (par $16.66⅔ per share) being offered to common stockholders of record March 31 on a 1-for-15 basis; rights will expire on May 23. **Price**—$24 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1342 M Street, Lincoln, Neb.

● **Linnton Plywood Association, Portland, Ore.**
May 10 filed 400 shares of common stock and 200 shares of preferred stock. **Price**—$5,000 per share for common and $2,500 per share for preferred stock. **Underwriter**—None, but John J. Oxley and J. A. Williams will solicit subscriptions. **Proceeds**—To improve plant site and acquire facilities and machinery.

Long Island Lighting Co.
April 6 filed 574,949 shares of new common stock of which 524,949 shares are being offered common stockholders of record May 2 in the ratio of one share for each six shares held, with an oversubscription privilege; rights to expire on May 18. Unsubscribed shares first to be offered to employees up to a maximum of 200 shares each. **Price** — $13 per share. **Underwriter** — None. Blyth & Co., Inc., has been engaged as Dealer-Manager to obtain subscriptions. **Proceeds** — For additions and improvement to property. Statement effective May 2.

Lorain Telephone Co., Lorain, Ohio
March 13 (letter of notification) 6,705 shares of common stock (no par), to be offered to common stockholders at the rate of one share for each 10 shares held March 10; rights to expire on July 1. Price—$20 per share. Underwriter—None. Proceeds—For working capital. Office—203 West Ninth St., Lorain, Ohio.

Loyalta Oils, Ltd., Edmonton, Canada
April 16 filed 750,000 shares of capital stock (par $1). **Price**—50 cents per share. **Underwriter**—James T. Chiles of Denver, Colo., who will conduct offering to public by means of a mail campaign directed from Edmonton, Canada. **Proceeds**—To carry on drilling program.

Ludman Corp., Opa-Locka, Fla.
April 16 filed 250,000 shares of common stock (par $1), of which 25,000 shares will be offered to employees. Any unsubscribed shares, plus the remaining 225,000 shares, are to be offered to public. Price—$3.50 per share (with an underwriting commission of 35 cents) to employees; $3.75 per share (with an underwriting commission of 60 cents) to public. Underwriter—Floyd D. Cerf, Jr. Co., Chicago, Ill. Proceeds—To redeem 1,873 shares of 5% preferred stock and $75,000 of 3% debentures and for general corporate purposes.

● **Malone-Darhasana Mining Co., Silver City, N. M.**
May 10 (letter of notification) $50,000 first mortgage 4% convertible gold bonds (in denominations of $500 each). **Price**—At par. **Underwriter**—None. **Proceeds**—To pay indebtedness and purchase mill.

● **Manning, Maxwell & Moore, Inc. (6/5)**
May 16 filed 150,000 shares of common stock (par $12.50), to be offered to stockholders of record who have not waived their preemptive rights at rate of 15/44ths of a share held, as of record about June 5, 1951. **Price**—To be supplied by amendment. **Underwriters**—Hornblower & Weeks and Clark, Dodge & Co., New York. **Proceeds**—To redeem $281,000 of preferred stock and for working capital.

Mays (J. W.), Inc., Brooklyn, N. Y.
April 27 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Carl M. Loeb, Rhoades & Co. and Lehman Brothers, New York. **Proceeds**—To Joe Weinstein, President of the company, the selling stockholder.

McCormick & Co., Inc., Baltimore, Md.
May 3 (letter of notification) 7,795 shares of common stock (no par). **Price**—$25 per share. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Proceeds** — For working capital. **Office**—414 Light St., Baltimore 2, Md.

● **Mutual Citrus Products Co., Anaheim, Calif.**
May 8 (letter of notification) 5,000 shares of common stock to be offered to present stockholders. **Price** — At par ($10 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—424 So. Atchison St., Anaheim, Calif.

National Dairy Products Corp. (5/24)
May 3 filed $30,000,000 of sinking fund debentures, due June 1, 1976. **Price**—To be supplied by amendment. **Underwriter**—Goldman, Sachs & Co. and Lehman Brothers, New York. **Proceeds**—For plant and equipment improvements and for general corporate purposes.

National Research Corp., Cambridge, Mass.
April 16 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$27 per share. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—To William A. Coolidge, the selling stockholder.

● **New England Gas & Electric Ass'n (5/31)**
May 16 filed 197,243 common shares of (par $8) beneficial interest to be offered to common stockholders of record May 31 on basis of one share for each eight shares

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then held. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—To pay short-term notes and acquire stock of subsidiaries.

North American Acceptance Corp.
March 20 (letter of notification) 15,000 shares of 60-cent cumulative convertible preferred stock (par $5). **Price**—$10 per share. **Underwriter**—Michael Investment Co., Inc., Providence, R. I. **Proceeds**—For working capital. **Offering**—Postponed temporarily.

North Penn Gas Co. (6/11)
May 1 filed $2,700,000 of debentures due 1971. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; A. C. Allyn & Co., Inc.; Drexel & Co.; The First Boston Corp.; Lehman Brothers; Smith, Barney & Co.; Equitable Securities Corp.; Union Securities Corp. **Proceeds**—To repay bank loans.

● **Northern Illinois Corp., DeKalb, Ill.**
May 7 (letter of notification) 3,080 shares of $1.50 cumulative preferred stock (no par). **Price**—$23.50 per share. **Underwriter**—None. **Proceeds**—For working capital to be used to make loans.

● **Northwestern Oils, Inc., Sparks, Nev.**
May 1 (letter of notification) 3,000,000 shares of common stock (par 10 cents), of which 1,000,000 shares will be donated gratis by James Elias Morris. **Price**—At par. **Underwriter**—None. **Proceeds**—To drill well. Office—1800 B Street, Sparks, Nev.

Norwich Pharmacal Co.
May 2 (letter of notification) 2,100 shares of common stock (par $2.50). **Price**—At market (approximately $19 per share). **Underwriter**—Reynolds & Co., New York. **Proceeds**—To Warren E. Eaton, the selling stockholder.

Ohio Edison Co.
March 30 filed 436,224 shares of common stock (par $8) being offered for subscription by common stockholders of record May 2, 1951, on the basis of one share for each 10 shares held, with an oversubscription privilege; rights to expire on May 18. **Price**—$29.25 per share. **Underwriters**—Issue was awarded on May 2 to Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Proceeds**—For construction program. Statement effective April 18.

Ohio Edison Co.
March 30 filed 150,000 shares of pfd. stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); W. C. Langley & Co.; Glore, Forgan & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Proceeds** — For construction program. **Bids**—Temporarily postponed. Were to have been submitted up to 11:30 a.m. (EDT) on May 2.

Olympic Radio & Television, Inc.
April 16 (letter of notification) 8,800 shares of common stock (par $1). **Price**—At the market. **Underwriter**—None, but Van Alstyne, Noel & Co., New York, will act as broker. **Proceeds**—To two selling stockholders.

Pacific Paper Materials Co., Portland, Ore.
April 25 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To retire past and current due accounts. **Office**—1400 N. W. 15th Ave., Portland, Ore.

Pacific Refiners, Ltd., Honolulu, Hawaii
March 30 filed 750,000 shares of common stock being offered for subscription by common stockholders of record April 6, 1951, at rate of one share for each share held; rights to expire on May 22. **Price**—At par ($1 per share). **Underwriter**—None. Unsubscribed shares to be sold at public auction in Honolulu. **Proceeds**—To retire short-term promissory notes and for construction program. Statement effective April 27.

● **Pacific Western Oil Corp.**
May 10 filed 200,000 shares of capital stock (par $4). **Price**—At the market (based on quotations on New York Stock Exchange at time of sale). **Underwriter**—None. **Proceeds**—To J. Paul Getty, President of the company, who is the selling stockholder.

Pan American Milling Co., Las Vegas, Nev.
Jan. 24 filed 200,000 shares of common stock. **Price**—At Par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

Plywood, Inc., Detroit, Mich.
May 3 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$4.25 per share. **Underwriter**—Baker, Simonds & Co., Detroit, Mich. **Proceeds**—To Emery Investment Co., the selling stockholder. **Office**—4445 Bellevue Ave., Detroit 7, Mich.

● **Productive Mines, Ltd., Boise, Idaho**
May 7 (letter of notification) 280,000 units of capital stock. **Price**—$1 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—2124 Ellis Avenue, Boise, Idaho.

Public Finance Service, Inc., Phila., Pa. (6/24)
April 30 (letter of notification) $250,000 of 6% cumulative debentures, 1950 series to be offered to present debenture holders. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For additional operating capital. **Office**—18 West Chelten Ave., Philadelphia 44, Pa.

● **Public Service Co. of New Hampshire**
May 11 filed $3,000,000 first mortgage bonds, series F, due June 1, 1981. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Otis & Co.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Eqiutable Securities Corp.; Carl M. Loeb, Rhoades & Co. **Proceeds** — For construction program.

Radioactive Products, Inc., Detroit, Mich.
April 30 (letter of notification) 10,800 shares of common stock (par $1). **Price**—At the market (about $1.87½ per share). **Underwriter**—A. H. Vogel & Co., Detroit, Mich. **Proceeds**—To three selling stockholders. **Office**—443 West Congress Street, Detroit 26, Mich.

Roto Flame Corp., Bradenton, Fla.
May 3 (letter of notification) 2,000 shares of 6% cumulative preferred stock and 2,000 shares of common stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To promote and operate business.

Sattler's, Inc., Buffalo, N. Y.
March 22 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—To Charles Hahn, Jr., President, who is the selling stockholder. **Offering**—Indefinitely postponed.

● **Saul (B. F.) Co., Washington, D. C.**
May 9 (letter of notification) $45,000 of promissory notes on "Barry Farms," Washington, D. C., secured by first deed of trust. **Underwriter**—B. F. Saul Co., Washington, D. C. **Proceeds**—To reimburse latter firm for moneys advanced to M & R Contractors, Inc., 1028 Connecticut Ave., N. W., Washington, D. C.

Seaboard Container Corp.
March 1 (letter of notification) 12,000 shares of class A common stock (par $1). **Price**—$5.50 per share. **Underwriter**—Barrett Herrick & Co., New York. **Proceeds**—To Frederic R. Mann, President, who is the selling stockholder.

● **Selected American Shares, Inc.**
May 10 filed 350,000 shares of capital stock (par $2.50). **Price**—At the market. **Underwriter** — Selected Investments Co., Chicago, Ill. **Proceeds**—For investment.

Smart & Final Co., Ltd., Los Angeles, Calif.
March 22 (letter of notification) 12,561 shares of common stock (no par). **Price**—$7.25 per share. **Underwriter**—Pacific Coast Securities Co., San Francisco, Calif. **Proceeds** — To selling stockholders. **Office** — 4510 Colorado Blvd., Los Angeles 53, Calif.

South State Uranium Mines Ltd. (Canada)
April 9 filed by amendment 384,000 shares of capital stock. **Price** — At par ($1 per share). **Underwriter-Optionee**—Robert Irwin Martin of Toronto. **Proceeds**—For commissions, exploration and development expenses, and working capital.

Southwestern Investment Co. (5/21)
April 30 filed 15,000 shares of $1 cumulative sinking fund preferred stock (no par) to be offered first to stockholders from May 21 to June 5. **Price**—$20 per share. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Proceeds**—For working capital.

Southwestern Investment Co. (5/21)
April 30 filed 22,288 shares of common stock (no par) to be offered first to stockholders from May 21 to June 5. **Price**—$20 per share. **Underwriters**—Schneider, Bernet & Hickman, Dallas, Texas; G. H. Walker & Co., St. Louis, Mo.; and Dewar, Robertson & Pancoast, San Antonio, Texas. **Proceeds**—For working capital.

Spiegel, Inc., Chicago, Ill.
May 2 filed 85,850 shares of common stock (par $2) to be offered to holders of cumulative preferred stock upon exercise of stock warrants on basis of one share of common stock for each share of preferred stock at $13.50 per share on or before May 31, 1953; $15 per share thereafter and on or before Nov. 30, 1954; and $16.50 per share thereafter and on or before May 31, 1956. **Proceeds**—For general corporate purposes.

Standard-Thomson Corp.
March 12 (letter of notification) approximately 13,750 shares of common stock (par $1). **Price**—At the market (approximately $7 per share). **Underwriters**—Lee Higginson Corp., Carreau & Co. and Reich & Co., New York **Proceeds**—To four selling stockholders. No general public offering planned.

Steak'n Shake, Inc., Bloomington, Ill.
April 4 (letter of notification) 18,180 shares of common stock (par 50 cents). **Price**—$5.50 per share. **Underwriter**—None. **Proceeds**—To three selling stockholders. **Office**—1700 West Washington St., Bloomington, Ill.

Sterling Engine Co., Buffalo, N. Y.
April 27 (letter of notification) an aggregate of not to exceed 16,000 shares of common stock (par 10 cents). **Price**—At market (about $2.25 per share). **Underwriter**—None, but Bache & Co. will act as broker. **Proceeds**—To Addison F. Vare, the selling stockholder.

Stevens (J. P.) & Co., Inc.
April 27 filed 100,000 shares of capital stock (par $15) to be offered under "Stock Purchase Plan for Employees" to certain employees of company. **Price**—At average of high and low quotations on day preceding offering. **Proceeds**—For general corporate purposes.

Sun Oil Co., Philadelphia, Pa.
May 3 filed 11,000 "memberships in the 1951 plan," effective July 1, 1951, to be offered to employees upon their becoming eligible for membership; a maximum of 111,000 shares of common stock (no par) which it is anticipated may be purchased by the trustees of the plan during the period July 1, 1951, to June 30, 1952; and 193,262 shares of common stock which "it is anticipated may be offered for possible public sale by certain selling stockholders during the same period." **Underwriter**—None.

Telegift, Inc., New York
March 20 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To establish and operate a "Gifts-by-Wire" service to be known as the Telegift Service, and for operating capital. **Office**—40 East 49th Street, New York 17, N. Y.

● **Thomson-Diggs Co., Sacramento, Calif.**
May 9 (letter of notification) 6,000 shares of capital stock (no par). **Price**—$50 per share. **Underwriter** — None. **Proceeds**—For corporate purposes. **Office**—1801 Second St., Sacramento 4, Calif.

Time Finance Corp., Brockton, Mass.
May 2 (letter of notification) 1,000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To provide funds for conducting business of installment financing. **Office**—47 West Elm Street, Brockton, Mass.

● **Toronto (City of), Canada (5/23)**
May 10 filed $20,000,000 of 3% to 3⅜% consolidated loan debentures due serially May 1, 1955-1981, inclusive. **Price**—To be supplied by amendment. **Underwriter**—Harriman Ripley & Co., Inc.; Dominion Securities Corp.; Smith, Barney & Co.; A. E. Ames & Co., Inc.; The First Boston Corp.; Wood, Gundy & Co., Inc.; McLeod, Young, Weir, Inc. **Proceeds**—For advances to the Transportation Commission for capital improvements.

● **Tracerlab, Inc., Covington, Ky.**
May 10 filed 175,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Lee Higginson Corp., Boston, Mass. **Proceeds**—To retire outstanding bank loans incurred in connection with acquisition of a controlling interest in Kelley-Koett Manufacturing Co., manufacturers and distributors of X-ray appartus and equipment; and for working capital.

● **Trans Caribbean Air Cargo Lines, Inc.**
May 8 (letter of notification) 20,000 shares of capital stock (par 10 cents). **Price**—At market, approximately $2.37½ per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—O. Roy Chalk, President, the selling stockholders.

● **Uranium Exploration Co., Salt Lake City, Utah**
May 10 (letter of notification) 100,000 shares of common stock. **Price**—At par (25 cents per share). **Underwriter**—None. **Proceeds**—To mine ore. **Office**—407 Pacific National Life Building, Salt Lake City 1, Utah.

Utica Cutlery Co.
May 4 (letter of notification) 1,000 shares of capital stock being offered to stockholders of record May 1, 1951, on a 1-for-4 basis; rights to expire June 5. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To expand plant facilities and for working capital. **Office**—820 Noyes St., Utica, N. Y.

Veterans Broadcasting Co., Inc.
April 19 (letter of notification) 26,575 shares of capital stock. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To construct a television station. **Office**—17 Clinton Ave., South, Rochester 4, N. Y.

Virginia Electric & Power Co. (5/25)
May 2 filed 449,674 shares of common stock (par $10) to be offered to common stockholders of record May 25 on basis of one share for each ten shares held; rights to expire on June 11. **Price**—To be supplied by amendment (proposed maximum offering price is $25 per unit). **Underwriter**—Stone & Webster Securities Corp., New York. **Proceeds**—For new construction.

Warren (Ohio) Telephone Co.
March 23 (letter of notification) 3,000 shares of $5 dividend preferred stock (no par) to be offered for subscription by present stockholders in ratio of 0.27695 of a share for each share held. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—To reimburse the company's construction costs.

Waverly Oil Works Co.
April 26 (letter of notification) 20,000 shares of capital stock (par $1) offered to stockholders of record May 1, 1951 on a one-for-four basis; rights to expire on June 15. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—4403 Centre Ave., Pittsburgh 13, Pa.

West Virginia Coal & Coke Corp.
April 16 (letter of notification) 3,700 shares of common stock (par $5). **Price**—At the market (not less than $18 per share). **Underwriter**—Tucker, Anthony & Co., New York. **Proceeds**—To Charles Dorrance, President, who is the selling stockholder.

● **Westates Explorations, Inc., Las Vegas, Nev.**
May 8 (letter of notification) 1,750,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds** — For exploration, development and equipment of mining district. **Office**—504 South 3rd St., Las Vegas, Nev.

● **Western Gold Mines, Inc., Carson City, Nev.**
May 8 (letter of notification) 30,000 shares of capital stock (par 10 cents). **Price** — At the "market" but not exceeding $3.50 per share. **Underwriter**—J. Arthur Warner & Co., Inc., New York, N. Y. **Proceeds**—For exploration and development of Utah properties.

● **Wilton Woolen Co., Wilton, Me.**
May 14 filed 195,800 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill., and George A. McDowell & Co., Detroit, Mich. **Proceeds**—To 11 selling stockholders.

● **Yale & Towne Mfg. Co., New York (6/5)**
May 16 filed 102,197 shares of capital stock (par $25) to be offered to stockholders at rate of one share for

each five shares held on or about June 5; with rights expected to expire June 20. **Price**—To be supplied by amendment. **Underwriter**—Morgan Stanley & Co., New York. **Proceeds** — To repay bank loans and for new equipment.

Prospective Offerings

Alabama Power Co. (9/11)
Feb. 6, it was stated that company contemplates issuance and sale of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Drexel & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion program. **Bids**—Tentatively expected to be opened on Sept. 11. **Registration**—About Aug. 10.

Alaska Telephone Co.
April 25 it was announced company may soon file a letter of notification with the SEC covering $300,000 of 6% convertible bonds. **Price**—At par (in units of $100 each). **Underwriter**—Tellier & Co., New York. **Proceeds**—For new equipment and for expansion.

American Natural Gas Co.
April 25. William G. Woolfolk, Chairman, announced an offering of common stockholders under rights on the basis of one share for ten would probably be made during the year. No underwriting likely to be involved. Proceeds to be used for new construction costs.

Atlas Powder Co.
April 27, it was reported that capital expenditures for the coming 12 months have been tentatively budgeted at $4,500,000 and that some financing may be necessary. Probable underwriter—Morgan Stanley & Co.

Boston Edison Co.
Jan. 30, J. V. Toner, President, announced that company plans to issue $32,000,000 of securities to aid in financing its construction program, which, it estimated, will cost $65,300,000 through 1954. He added that no common stock financing is planned until 1955.

Buffalo Electro-Chemical Co., Inc. (6/6)
Bids will be received at the office of Alien Property, 120 Broadway, New York 5, N. Y., at 1:30 p.m. (EDT) on June 6 for the purchase of 5,058 shares of common stock (no par value), being 45.98% of the outstanding stock. The sale does not represent new financing. A group represented by Charles A. Buerk (President of the company), Schoellkopf, Hutton & Pomeroy, Inc. and Lehman Brothers and including many of the stockholders and employees of the company, has formerly agreed to submit a bid for the stock is an amount aggregating $3,034,800. Accordingly the auction will be opened by the announcement of said bid. Probable bidders: Allen & Co.; Smith, Barney & Co.; Merrill Lynch, Pierce, Fenner & Beane; A. G. Becker & Co. Inc.

California Oregon Power Co.
April 20 it was stated that company plans to raise more than $11,000,000 through the sale of $6,000,000 new first mortgage bonds and 250,000 shares of common stock about mid-1951. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Carl M. Loeb, Rhoades & Co. (jointly); Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); White, Weld & Co.; Blyth & Co., Inc., The First Boston Corp. and Salomon Bros. & Hutzler (jointly). The previous stock offering was underwritten by Blyth & Co., Inc. and The First Boston Corp. Proceeds will be used to retire $11,000,000 outstanding bank loans.

Calvan Consolidated Oil & Gas Co., Ltd.
April 3 it was stated registration is expected week of May 28 of 1,000,000 shares of capital stock. **Price**—About $5 per share. **Underwriters**—Hemphill, Noyes, Graham, Parsons & Co., New York, and Gardiner, Watson & Co., Toronto, Canada.

Carolina Natural Gas Corp., Charlotte, N. C.
Feb. 20 a fourth amended application was filed with the SEC for authority to build a natural gas pipeline system to serve certain areas in North and South Carolina. Estimated cost of the proposed facilities is $3,595,295, to be financed by the sale of first mortgage bonds and the issuance of junior securities. Underwriters may include R. S. Dickson & Co., Charlotte, N. C.

Central Maine Power Co.
April 3 company estimated that outside cash requirements for 1951 for construction and other purposes will be about $10,000,000. No definite plans for permanent financing have yet been formulated, and in the interim company plans to obtain necessary funds through short-term bank borrowings.

Central & South West Corp.
April 10 it was announced company plans to issue and sell approximately 400,000 shares of common stock (par $5) late in 1951 or early in 1952. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Smith, Barney & Co. and Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); Kuhn, Loeb & Co.; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly). **Proceeds**—To be used to assist subsidiaries to finance a part of their construction program. Stockholders voted on May 15 to increase authorized common stock from 8,000,000 to 10,000,000 shares.

Chicago & Western Indiana RR.
April 16 reported company will probably issue in the near future some bonds to refund the $49,988,000 4% non-callable consolidated first mortgage bonds due July 1, 1952. Refunding of the $14,662,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962, is also said to be a possibility. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman, Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

Cincinnati Gas & Electric Co.
April 7 it was reported company expects to market late this year or early in 1952 between $25,000,000 and $30,000,000 of new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. Proceeds will be used for construction program.

Cleveland Electric Illuminating Co.
April 4 it was reported company may in the fourth quarter of 1951 issue new preferred stock or first mortgage bonds, or obtain short-term bank credit to finance its construction and improvement program. Preferred stock sale, if negotiated, may be handled by Dillon, Read & Co., Inc. Probable bidders for any bond financing are: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Equitable Securities Corp.

Colorado Central Power Co.
April 13 it was reported that the company may do some debt financing to raise additional necessary funds for its 1951 construction program. Will probably be placed privately.

● **Columbia Gas System, Inc.**
May 15, the company stated: "Since it now appears that the System's construction program for 1951 will be somewhat curtailed by material shortages arising from the National Defense program, it is presently expected that no public financing will be required during 1951."

Commonwealth Edison Co.
Jan. 10 it was announced the company contemplates $181,000,000 additional financing through the sale of securities. Neither the nature nor the time of the new financing has been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co. Proceeds are to be used for construction program.

Consolidated Edison Co. of New York, Inc.
March 23 company applied to New York P. S. Commission for authority to issue and sell $25,000,000 of first and refunding mortgage bonds, series H, due May 1, 1981 (in addition to $40,000,000 series G bonds filed with the SEC on March 30). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Proceeds** — To redeem a like amount of Westchester Lighting Co. 3½% general mortgage bonds due 1967. **Offering**—Postponed.

● **Cooper-Bessemer Corp., Mt. Vernon, Ohio**
May 5, it was announced that arrangements for adequately financing the company's increased volume of business have been approved by the directors.

Denver & Rio Grande Western RR.
April 12, Wilson McCarthy, President, stated that due to prevailing market conditions, the company has postponed to an undetermined date the taking of bids for the purchase of $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Bear, Stearns & Co. (jointly). **Proceeds** — Together with treasury funds, to redeem on June 1, 1951, $35,062,200 outstanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

Detroit Edison Co.
March 19 it was announced company plans to sell approximately $35,000,000 of first mortgage bonds early this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc., and Spencer Trask & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp.; Dillon, Read & Co. Inc. **Proceeds** — For construction program.

Dow Chemical Co.
April 5, Leland I. Doan, President, stated that the company plans to spend $65,000,000 on plant expansion in the current fiscal year ending May 31, 1951, and expects to spend somewhat more in the following fiscal year. He added, however, that no decision has been reached on any possible financing in this connection. Traditional underwriter: Smith, Barney & Co., New York.

Florida Power Corp.
March 29 the authorized common stock (par $7.50) was increased from 1,600,000 shares to 2,500,000 shares and the authorized preferred stock (par $100) from 120,000 to 250,000 shares. Underwriters for preferred stock to be determined by competitive bidding. Probable bidders may include Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros & Hutzler; Harriman Ripley & Co., Inc.; Equitable Securities Corp.; Union Securities Corp. Probable underwriters for common stock. Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Florida Power Corp.
March 29 it was stated company expected to sell $8,000,000 to $10,000,000 of new bonds this summer. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Smith, Barney & Co.; The First Boston Corp.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly). **Proceeds**—For expansion program. **Offering**—Expected in June or July.

● **Gas Service Co., Kansas City, Mo.**
May 15 company requested SEC authorization to issue and sell $5,400,000 first mortgage bonds due 1971. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Lehman Brothers; The First Boston Corp.; Merrill, Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Union Securities Corp. and Harriman Ripley & Co., Inc. (jointly). **Proceeds**—For new construction. **Offering**—Expected late in June or early in July.

● **General Public Utilities Corp.**
May 16 it was stated that corporation is considering an equity operation which would give the common stockholders the right to buy one new share for each 15 held, involving a total of about 505,000 new shares.

Glass Fibres, Inc.
April 16 it was reported that company may do some common stock financing later this year. Traditional underwriter—McCormick & Co., Chicago, Ill.

Glenmore Distilleries Co. (6/12)
April 23 it was announced company expects shortly to file a registration statement covering 30,000 shares of $100 par preferred stock (with warrants attached), and to withdraw statement covering 159,142 shares of class B common stock (par $1). **Underwriter**—Glore, Forgan & Co., New York. **Proceeds**—For working capital and general corporate purposes.

Green Mountain Power Corp., Montpelier, Vt.
May 4 SEC announced approval of a plan for reorganization, which, among other things, provides for sale of 104,094 shares of new common stock (par $10) through underwriters, subject to the right of present preferred stockholders to subscribe for the new shares. Proceeds will be used to repay bank loans and for new construction.

● **Idaho Power Co.**
May 14, it was announced company is presently considering the issuance of approximately $15,000,000 of additional first mortgage bonds later in 1951, in addition to registration of 35,000 shares of 4% preferred stock (par $100). Bonds will probably be placed privately, and proceeds used for additions and improvements to the company's properties.

Illinois Central RR. (5/17)
Bids will be received up to noon (CDT) on May 17 for the purchase from the company of $3,900,000 equipment trust certificates, series GG, to be dated May 1, 1951 and to mature in 30 equal semi-annual installments. Probable bidders: Halsey, Stuart & Co. Inc; Salomon Bros. & Hutzler.

● **Iowa-Illinois Gas & Electric Co.**
May 9, it was announced stockholders have approved an authorized issue of 100,000 shares of preferred stock (par $100). An offering of part of this issue may be made later this year. The proceeds are to be used to finance the company's construction program.

Iowa Public Service Co.
March 23 the company's report revealed it is anticipated it will be necessary to provide about $4,000,000 new money to finance its 1951 construction program.

I-T-E Circuit Breaker Co.
March 30 it was announced stockholders on May 5 will vote on increasing the authorized indebtedness of the company to $3,500,000 from $1,500,000, and the authorized but unissued preferred stock from 15,000 shares to 30,000 shares, par $100.

Kansas City Power & Light Co.
Feb. 7, Harry B. Munsell, President, announced company expects to raise $15,000,000 of new money through the sale of new securities, including from $5,000,000 to $8,000,000 preferred stock, and the remainder common stock and bonds. Probable bidders for preferred stock: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Smith, Barney & Co.; The First Boston Corp.; White, Weld & Co., Shields & Co. and Central Republic Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. and Stern Bros. & Co. (jointly). Probable bidders for common stock: Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley & Co., Inc.

Kansas-Nebraska Natural Gas Co., Inc.
Feb. 15, it was announced that company plans to raise $4,200,000 through the sale of debentures or first mortgage bonds in the spring of 1951 (this is in addition to recent sale of 10,950 shares of $5 cumulative preferred stock (no par) at $105 per share plus accrued dividends and 133,812 shares of common stock (par $5) at $15 per share (the latter to common stockholders). The bond financing early last year was placed privately through Central Republic Co. (Inc.), Chicago, Ill. The proceeds are to be used for the company's expansion program.

Kansas Power & Light Co.
May 5 stockholders approved proposals to increase the authorized preferred stock from 200,000 shares to 400,000 shares and the authorized amount of unsecured

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indebtedness from $9,000,000 to $14,000,000. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; The First Boston Corp.; Glore, Forgan & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.

Lake Shore Pipe Line Co., Cleveland, Ohio
Feb. 15 FPC authorized this company to acquire, construct and operate pipeline facilities which will carry natural gas into northeastern Ohio for the first time. Financing plan includes the issuance and sale of $1,075,000 in bonds to Stranahan, Harris & Co., Inc., Toledo, O., $225,000 in preferred stock and $150,000 in common stock.

• Lees (James) & Sons Co.
May 16 it was announced stockholders will vote June 10 on approving a $10,000,000 increase in indebtedness. Company expects to sell $6,000,000 of 20-year bonds, carrying interest at less than 4%. Proceeds will be used to pay off short-term bank loans. Traditional underwriter: Morgan Stanley & Co., New York.

Michigan Consolidated Gas Co.
April 25 it was stated company may issue later this year about $15,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co and Blyth & Co. Inc. (jointly); White, Weld & Co. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Proceeds**—For construction.

Milwaukee Gas Light Co.
April 25 it was reported company may issue some additional bonds this year, if conditions so warrant. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman Brothers (jointly); Kuhn, Loeb & Co., Smith, Barney & Co. and Blyth & Co. Inc. (jointly); Kidder, Peabody & Co.; Harriman, Ripley & Co. Inc. **Proceeds**—For construction.

Mississippi Power Co. (7/17)
Feb. 6, it was reported that this company contemplates the issuance and sale of $4,000,000 of preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co., Glore, Forgan & Co. and Sterne, Agee & Leach (jointly); Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction program. **Bids**—Tentatively expected to be received on July 17. **Registration**—Scheduled for June 15.

National Utilities Co. of Michigan, Coldwater, Michigan
March 6 company sought FPC authority to construct about 76.7 miles of pipeline, at an estimated cost of $1,500,000, to be financed by issuance and sale of first mortgage bonds.

New England Power Co.
Jan. 24 it was estimated that $32,000,000 of new financing will be required prior to Dec. 31, 1952. Between 70,000 to 80,000 shares of preferred stock may be initially offered. Probable bidders: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co. Proceeds to be used to repay bank loans and for construction program.

• New England Telephone & Telegraph Co.
May 15 directors authorized issuance of 777,850 additional shares of capital stock to stockholders at rate of one share for each two shares held. **Price**—At par ($100 per share). **Underwriter** — None. **Proceeds** — To reduce outstanding temporary borrowings. **Registration Statement**—Expected to be filed soon.

New Jersey Power & Light Co.
Feb. 19 it was reported that company tentatively plans to issue and sell $2,500,000 of preferred stock to public and $1,500,000 of common stock to General Public Utilities Corp., parent. **Underwriters**—For preferred to be determined by competitive bidding. Probable bidders: Drexel & Co., Kuhn, Loeb & Co., and Lehman Brothers (jointly); W. C. Langley & Co.; Smith, Barney & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler. **Proceeds** — For 1951 construction program. Expected late Summer and early Fall.

• New York State Electric & Gas Corp.
May 4, Joseph M. Bell, Jr., President, announced that the company's $66,500,000 construction program for the three years through 1953 involves new financing of $41,500,000 in addition to the $10,500,000 provided thus far this year through the sale of 2.80% first mortgage bonds, in accordance with contracts entered last August. Traditional underwriter: The First Boston Corp., New York.

• Ohio Power Co.
May 15 it was stated that this company, a subsidiary of American Gas & Electric Co., will need $36,000,000, perhaps more, which it expects to raise some months hence through the sale of new securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). Proceeds will be used for construction program.

Oklahoma Gas & Electric Co.
Dec. 20 D. S. Kennedy, President, said company is considering refunding outstanding $6,500,000 5¼% cumulative preferred stock (par $100) with an equal amount of preferred stock with a lower dividend rate and may issue additional common stock (par $10) provided market conditions warrant such action, to finance construction program. Probable underwriters: Lehman Brothers; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

Panhandle Eastern Pipe Line Co.
April 4 it was reported that the company may issue and sell additional securities to provide funds for its expansion program. Traditional underwriter: Kidder, Peabody & Co.

Pennsylvania Electric Co.
Feb. 16 it was reported company plans to issue and sell $3,000,000 of first mortgage bonds, $2,500,000 of preferred stock and $2,500,000 of common stock (latter to General Public Utilities Corp., parent). **Underwriter**—To be determined by competitive bidding. **Probable bidders for** bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. Probable bidders for preferred stock: W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co.; Smith, Barney & Co.; Kidder, Peabody & Co.; Harriman, Ripley & Co., Inc. **Proceeds**—For 1951 construction program. Expected late Summer or early Fall.

Peoples Gas Light & Coke Co.
April 6 it was reported that company may sell $20,000,000 of new bonds this Spring to provide funds for expansion program. If market conditions are favorable, it is also planned to sell an additional $15,000,000 of bonds to refund a like amount of 3% bonds due 1956. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and White, Weld & Co. (jointly); The First Boston Corp.

Pitney-Bowes, Inc.
March 29 it was announced company plans to sell additional convertible preferred stock from time to time for "new money."

• Potomac Electric Power Co.
May 10 it was announced company has arranged to borrow up to $10,000,000 from 17 banks and expects to fund these loans through sale of permanent securities this fall or early in 1952. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc.

Public Service Co. of Colorado
Nov. 1, J. E. Loiseau, President, announced that "it will be necessary to raise additional funds for construction purposes in the second quarter of 1951. The amount needed is estimated at about $7,000,000." Probable bidders for a reported issue of $15,000,000 new bonds are: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Harris, Hall & Co. (Inc.); Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Rochester Gas & Electric Co.
March 21 company applied to the New York P. S. Commission for authority to issue $5,000,000 of first mortgage bonds and 150,000 additional shares of common stock (the latter for subscription by common stockholders on a basis of one new share for each seven shares held). Bonds may be placed privately, with the common stock issue underwritten by The First Boston Corp. **Proceeds**—For new construction.

Sangamo Electric Co.
May 3, Donald S Funk, President, announced company plans a public offering of approximately 111,000 additional common shares as soon as registration can be effected. **Underwriter**—Paul H. Davis & Co., Chicago, Illinois.

Sharon Steel Corp.
March 27 stockholders voted to increase the debt limit of the company to $30,000,000 from $15,000,000 and to increase authorized capital stock to 2,500,000 from 1,000,000 shares. At present, the company has 925,863 shares outstanding. The company's expansion plan, recently announced, will sharply increase ingot capacity, pig iron and coke output and finishing facilities. The additions and improvements are to be completed over the next five years.

Sharon Tube Co.
March 29 it was stated company may issue $1,800,000 additional capital stock (par $10) to finance its new continuous buttweld mill expansion.

Slick Airways, Inc.
May 3 it was reported company plans registration of 200,000 shares of common stock. **Underwriter**—F. S. Moseley & Co., New York. **Proceeds**—For expansion program.

South Jersey Gas Co.
April 24 Earl Smith, President, announced company plans a bond issue of more than $8,000,000 by fall of this year. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. **Proceeds**—To refund the presently outstanding $4,000,000 of 4⅛% first mortgage bonds and repay outstanding short-term bank notes which are due before the end of the year.

Southern California Gas Co.
April 4, the company indicated that it would soon be in the market with $18,000,000 of senior securities. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (jointly).

• Squibb (E. R.) & Sons (6/15)
May 10 directors voted to sell 300,000 additional shares of common stock (par $1). It is expected that a registration statement will be filed with the SEC in about a week and that the stock will be offered for sale publicly on or before June 15. **Underwriters** — Union Securities Corp. and Harriman Ripley & Co., Inc.

• Staley (A. E.) Manufacturing Co.
May 8 stockholders voted to cancel the pre-emptive or preferential right of common stockholders to purchase or subscribe for the company's unissued securities. According to A. E. Staley, Jr., President and Chairman, cancellation of this right enables the company to meet security market situations better in any future sales of unissued common stock. Common stockholders of record May 23 will receive a 100% stock dividend on June 6. This follows an increase in common stock authorized from 1,000,000 to 2,500,000 shares (par $10).

Sutherland Paper Co., Kalamazoo, Mich.
May 4 company announced stockholders will vote in near future on authorizing the issuance and sale of new convertible preferred stock to common stockholders through rights. The company is currently negotiating with Lehman Brothers and Harris, Hall & Co. (Inc.) for the sale of the preferred stock and long-term indebtedness sufficient to raise a total of approximately $5,500,000. The proceeds are to be uesd to retire the present outstanding 4¼% cumulative convertible preferred stock and for additional working capital.

• Textron, Incorporated
May 10, it was announced stockholders on June 8 will vote on authorizing the creation of a new issue of 250,000 shares of 4% preferred stock (par $100). On May 23, they will vote on increasing authorized common stock from 2,000,000 to 3,000,000 shares. Traditional underwriter: Blair, Rollins & Co. Inc., New York. Proceeds are to be used for expansion program.

Thorer & Hollender, Inc., New York City (5/17)
Bids will be received at the Office of Alien Property, Department of Justice, 120 Broadway, New York 5, N. Y., on or before 11 a.m. (EDT) on May 17 for the purchase of 6,445 shares of capital stock (being 100% of the outstanding stock). The sale does not represent new financing. **Business**—Imports and sells furs, mainly Persian Lamb, in the United States.

United Gas Corp.
May 9 it was reported company will be in the market for $50,000,000 to $60,000,000 of long-term bonds, plus a large equity issue, within a few weeks, and later in the year plans additional debt financing. On Feb. 27 it was announced company plans to issue $145,000,000 debt securities and will loan the proceeds together with other funds, to its subsidiary, United Gas Pipe Line Co. to be used for the latter's construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Equitable Securities Corp.; Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); The First Boston Corp. Corporation is also said to be planning sale of about 1,000,000 additional common shares to its common stockholders on a basis of 1-for-10 or 1-for-12.

United Gas Pipe Line Co., Shreveport, La.
Feb. 27 FPC authorized company to carry out an expansion program, which will include construction of approximately 1,000 miles of pipeline, at a total estimated cost of $111,861,749. Company will finance construction by borrowing $150,000,000 from its parent, United Gas Corp. (which see above).

United Stores Corp.
April 24 stockholders voted to increase authorized $4.20 non-cumulative preferred stock to 1,200,000 from 1,031,856 shares and the common stock to 1,808,144 from 1,640,000 shares. Company has no immediate plans for any financing.

United Utilities, Inc.
April 11 it was said company plans issuance and sale of between $2,000,000 and $3,000,000 additional debentures or bonds this year. Kidder, Peabody & Co. handled private placement of an issue of $2,500,000 debentures in March, 1950.

• Valley Gas Pipe Line Co., Inc., Houston, Tex.
May 9 FPC dismissed application of company proposing the construction of a $144,500,000 pipeline project to carry natural gas from Texas and Louisiana to markets in Indiana, Ohio and Michigan. The company had planned to build 1,500 miles of line.

Victor Chemical Works
March 30 it was announced company plans to issue and sell 100,000 shares of new convertible second preferred stock (par $50). **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—Together with funds from private sale of $4,000,000 of 20-year sinking fund notes, to be used toward expansion program.

Virginia Electric & Power Co.
May 1 the company announced that it is contemplated that there will be additional financing to an amount approximating $20,000,000, after sale of the additional common stock registered with SEC (see above), incident to the 1951 construction program, and that further financing will be required in 1952. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co.

Washington Gas Light Co.
March 8 it was announced that company may issue approximately $9,000,000 of bonds or obtain bank loans (or some combination thereof) during 1951 and apply the proceeds toward its construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Alex. Brown & Sons.

Our Reporter's Report

Underwriters, or at least some of their number, are not particularly keen about the role that has been set up for them in forestalling new financing that is viewed as inflationary in character.

They do not seek to dodge a responsibility, but rather fear that the public may be inclined to misinterpret the intent of the movement.

They feel they are on a "spot" where they will be "damned if they do" and "damned if they don't" approve a given issue. A possible solution might be found, they said, if state and municipal financing officers would do a little "feeling out" of the committee before putting forth plans for a project.

What the bankers have in mind, of course, is a recurrence of occasions like West Virginia's veterans' bonus issue, for $67,500,000. Similar flotations have been made over the years by other states.

Accordingly, servicemen might regard turning down of this issue as discriminatory. Investment banker and commercial banker panels of the control committee have turned this one down but not until after Charles E. Wilson, Defense Mobilization chief, had asked that it be deferred.

The Governor of the State points out the issue was voted by the people and he intends to go through with it if he can get a bid. But from present indications, his only hope would be a bid by a "rump" group, and then the bonds would not be acceptable collateral for loans at banks, at least for the duration of the emergency.

A Possible Out

One investment banker, a combat veteran of World War I, naturally feels that servicemen of the last war should get what is coming to them too, and he offers what might be a workable suggestion.

He points to the method by which the Federal Government handled its bonus payment and proposes that West Virginia might undertake a variation of the idea. World War I vets had the option of taking cash of government bonds due in 20 years in payment of their adjusted service compensation.

Now it is proposed that West Virginia distribute its Veteran Bonus bonds direct to the serviceman but make the first redemption date four or five years hence, thus getting away from the likelihood of having immediate cashing of the issue swell the current money supply.

Con. Natural Gas Issue

Consolidated Natural Gas Co. drew bids from three groups for its $50,000,000 of 25-year debentures with the bids of the winner and the runner-up proving not too far from a "dead-heat".

The winning group paid the company 100.8719 for a 3¼% coupon, while the second group offered to pay 100.81999 for the same interest rate, a difference of just over 51 cents per $1000. The third bid was 100.369991 for the same rate.

Reoffered yesterday at 101½ to yield about 3.16% to the investor, the issue was a bit slow to start, but moved out in good order once a trust company, acting for several pension funds, took down a good-sized portion of the debentures.

Utilities Look Ahead

Facing steadily rising demands for service, electric utility companies are going ahead with plans for raising funds to finance expansion necessary to meet the increased load.

American Gas & Electric Co's. Ohio Power Co. will need $36,000,000, perhaps more, which it expects to raise some months hence through the sale of new securities.

Meanwhile People's Gas Light & Coke may undertake flotation of a $20,000,000 new mortgage before the summer is out, and General Public Utilities Corp. is considering an equity operation which would give common stockholders the right to buy one new share for each 15 held, involving a total of perhaps 505,000 new shares.

Wade Clutton Joins Francoeur & Co.

Wade W. Clutton

(Special to The Financial Chronicle)

CHICAGO, Ill.—Wade W. Clutton has become associated with Francoeur & Company, 39 South La Salle Street. Mr. Clutton was formerly manager of the trading department for John A. Dawson & Co. with which he had been associated for many years.

Business Man's Bookshelf

Planning for Profits in the Stock Market — Booklet discussing the three basic principles of correct investment procedure—$1.00 (included with each copy is a current primary trend graph showing present actual trend of the market, and an up-to-the minute analysis of 445 stocks and 43 groups)—Dept. C-62, Investors Research Company, Mihran Building, Santa Barbara, Calif.

Puerto Rico and the Dominican Republic—Booklet describing 11-day cruise—Dept. CF, Bull Lines, 115 Broad Street, New York 4, N. Y.

What Happens During Business Cycles—Wesley C. Mitchell—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—cloth—$5.00.

When Mental Illness Strikes Your Family — Kathleen Doyle — Public Affairs Pamphlets, 22 East 38th Street, New York 16, N. Y. —paper—20¢.

With Slayton & Co., Inc.

(Special to The Financial Chronicle)

DuQUOIN, Ill. — Luther H. Pierce is now with Slayton & Company, Inc. of St. Louis.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—In going so far to please the Administration, the closely-disciplined majority of the House Ways and Means Committee is said to be taking a substantial risk that tax legislation will be taken out of the hands of the Administration and be written, in effect, on the floor of the House.

By raising "tentatively" the income tax rate on individuals by three points and on corporations by five points, the majority of the committee clearly went beyond, it is believed, what the House will be disposed to "take" under present political, economic, and near-war circumstances.

In such a case, a majority of the House in actual control would be confronted with the necessity for recommitting the tax bill to committee. In the process of recommitting, the House in effect would write its own tax bill.

Unlike the Senate, the House can within limits be controlled, if the Rules Committee goes along. It is customary in House procedure to bring in a rule forbidding amendments to the bill from the floor except such as might be adopted as its own by the Ways and Means Committee.

Hence, the action of the Committee, if it is not changed before final reporting out of the tax bill about the first week in June, is a challenge to the House to take all or upset the whole applecart. This can be done by a motion to recommit with instructions as to what kind of a tax bill shall be brought back.

It is believed tentatively that, without assurances from the Senate that it will pare down drastically the House bill, a serious drive will be made to write the bill on the floor, with a good chance of success.

* * *

If the Voluntary Credit Restraint Committee made news when it went along with the Defense Mobilization Director to clamp down on "inflationary" State and municipal credit, it will make still more news soon.

Before long the committee is expected to clamp down similarly on foreign municipal and governmental borrowing in the U. S. dollar market. In practice, that means primarily borrowing by Canadian municipalities. It is understood that a considerable volume of Canadian municipals are scheduled to hit the market in the near future.

These will receive the same treatment, it is planned, as U. S. municipal borrowing. If somebody wants to borrow to improve a park or recreational area, erect a war monument, etc., it will be vetoed and U. S. underwriters and security dealers will be asked not to handle the issue.

The national VCR committee may also be expected to move in soon to clamp down on the terms of mortgage loans for financing sale of used houses, bringing them into line with the terms of Regulation X for the financing of new houses.

President Truman requested the amendment of the Defense Production Act to restrict mortgage credit on used houses, and it is probable that eventually Congress will approve this, when, as, and if it gets around to amending DPA. However, Congress may be two or three months working out changes in DPA. Meanwhile VCR will achieve substantially the same result, it is anticipated.

It is suggested that when a borrowing business or city or industry seeking new equity capital gets in touch with a regional VCR committee, that the prospective borrower get in touch with the regional committee in which he is located. Or, if the borrower contacts a non-local regional committee, then the committee contacted should get in touch with the committee presiding over the region in which the borrower is located.

What officials are shooting at is the case of a business or municipal borrower, say, in Chicago, who shops both in Chicago and New York either about a loan or flotation of a security issue. It is desired to avoid having both the Chicago and the New York committees trying to rule with respect to the same case, whether the accommodation falls within the credit permitted under the VCR program.

It may be some time off, but one of the cutest little situations will confront the VCR if the Canadian Government carries out its threat of going ahead and building the St. Lawrence seaway "on its own" provided Congress doesn't approve the seaway. It is doubted that Congress will approve the seaway, so the Dominion Government must decide soon whether to go ahead and try to build the same itself.

Of course, the Dominion could not finance the $600 to $700 million involved in its own market. Naturally the Truman Administration would feel sympathetic to the Ottawa viewpoint, BUT, the VCR committee is a voluntary, hard-boiled committee which is under no compulsion to take orders on a political project of this character, even if such orders or suggestions were issued.

This little problem just might arise, soon, however, because the Dominion would be advised to find out what the VCR boys thought about a huge loan of this character, even spread out over several years, before sticking its neck way out.

* * *

Interior Department officials are reported to be well along with plans for a prospective voluntary agreement to operate among U. S. producers of foreign oil. The agreement would be operated under the Defense Production Act, but would not be effective until and unless there was some emergency in the international oil supply situation.

Members of the staff of the Petroleum Administration for Defense have been conferring quietly about such an agreement with the U. S. producers of foreign oil. They are expected to have whipped in shape the proposed voluntary agreement for submission in the near future to a large meeting of all these producers.

Terms of the prospective agreement were not divulged at this stage by officials.

* * *

One of the best-kept secrets of this capital was the "Wilson Committee report." This is the report drafted in response to President Truman's memo of Feb. 26, by a committee representative of Defense Mobilizer Wilson, the Chairman of the Federal Reserve Board, the Secretary of the Treasury, the Chairman of the SEC, and the Chairman of the Council of Economic Advisers.

Because of Treasury Secretary Snyder's former illness, Mr. Wilson was made Chairman. The committee was directed to devise ways of providing and safeguarding a stable bond market whilst preventing the growth of bank credit.

It is a safe bet that until last Monday, at least, neither the Treasury nor the Federal Reserve Board were advised of its contents.

Meanwhile William McChesney Martin, Jr., the new Chairman of the Federal Reserve Board, definitely has "gone across" with the Congress, before whom he has testified relating to the credit phases of the Defense Production Act.

Martin has a directness in his Congressional appearances which pleases. He also avoids the long-winded, theoretical discussions of his predecessors, and has a way of stating his subject matter simply and understandably.

The Patman subcommittee of the Congressional Joint Economic Committee, set up to "work over" the Federal Reserve System because of higher interest rates, is stymied for the time being. Its members are for the most part members of the two Banking committees, which simultaneously are holding extensive hearings on DPA. It may be two or three weeks before Patman can plan to get going with his own version of a course of monetary hearings.

The question of how reserve requirements might be raised will be settled after the Wilson committee report has been digested. Whatever higher reserve requirements are proposed to Congress, will definitely be of a standby character, and will not, it is believed, be invoked with passage of the law empowering this. Higher reserve requirements will not likely be in order until there is definite monetization of the debt, and then only if it will not threaten deficit financing seriously.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I heard about the bulls and the bears in this business, but nobody ever told me about the wolves!"